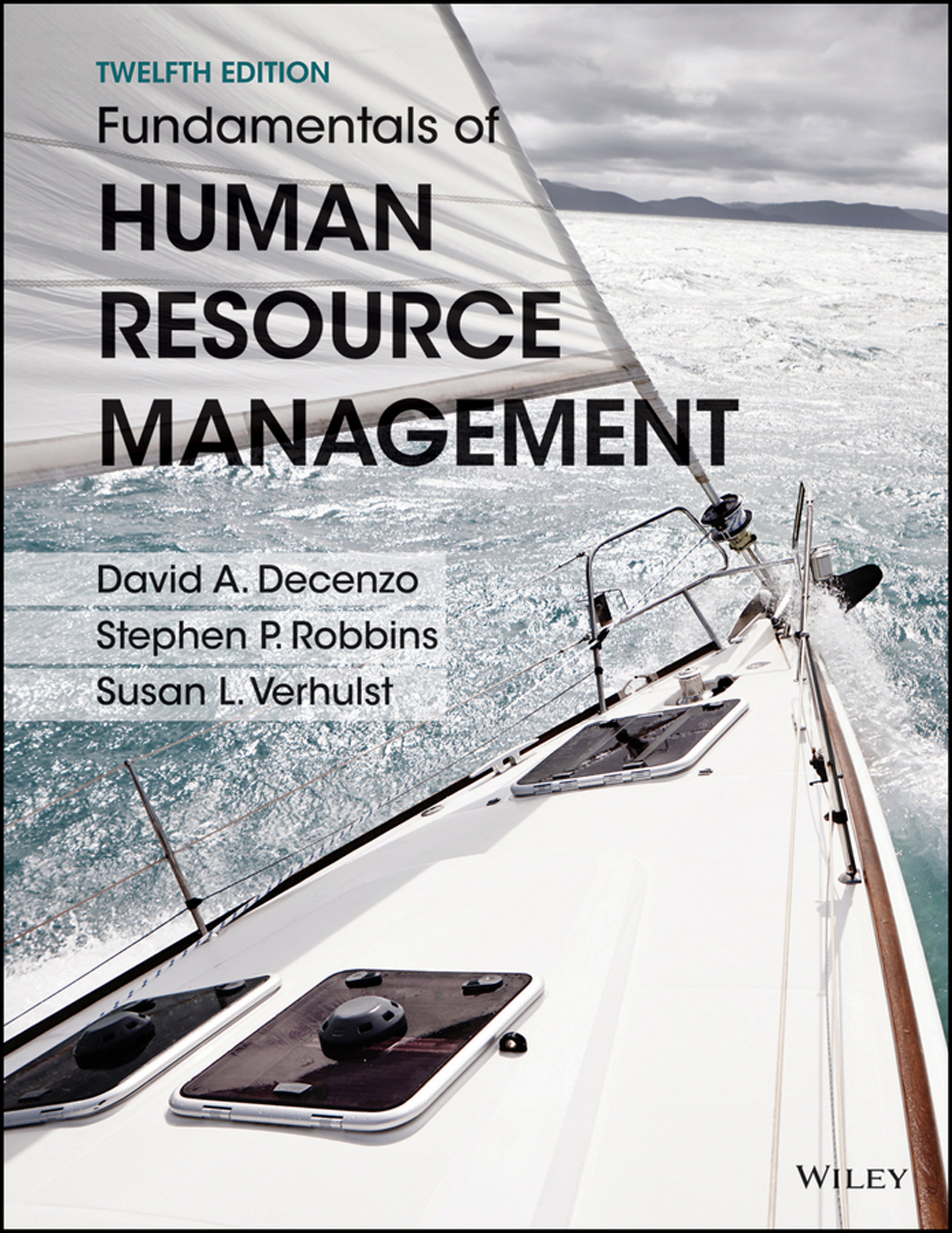

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Fundamentals of
HUMAN RESOURCE MANAGEMENT

David A. Decenzo
Stephen P. Robbins
Susan L. Verhulst

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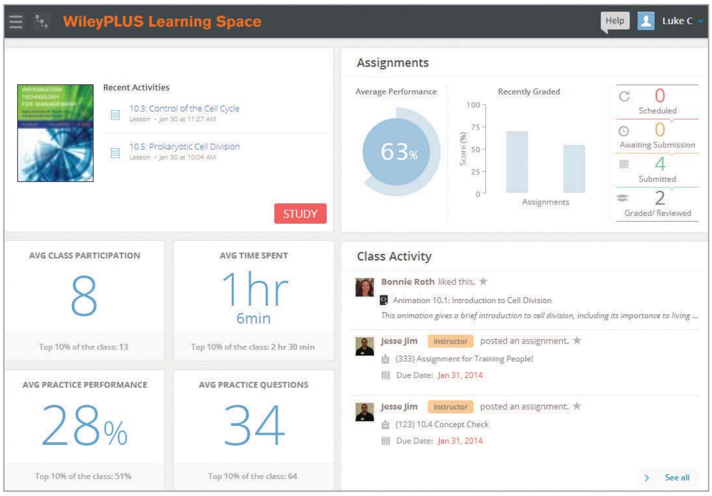
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Assignments
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50
25
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Score (%)
Assignments
0
Scheduled
0
Awaiting Submission
4
Submitted
2
Graded/ Reviewed
AVG CLASS PARTICIPATION
8
AVG TIME SPENT
1hr
6min
AVG PRACTICE PERFORMANCE
28%
AVG PRACTICE QUESTIONS
34
Class Activity
Instructor
See all

10.3: Control of the Cell Cycle
Lesson • Jan 30 at 11:27 AM

10.5: Prokaryotic Cell Division
Lesson • Jan 30 at 10:04 AM

Top 10% of the class: 13

Top 10% of the class: 2 hr 30 min

Top 10% of the class: 51%

Top 10% of the class: 64

Bonnie Roth liked this.
Animation 10.1: Introduction to Cell Division
This animation gives a brief introduction to cell division, including its importance to living ...

Jesse Jim Instructor posted an assignment.
(333) Assignment for Training People!
Due Date: Jan 31, 2014

Jesse Jim Instructor posted an assignment.
(123) 10.4 Concept Check
Due Date: Jan 31, 2014

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Fundamentals of Human Resource Management

Twelfth Edition

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Preface

The captain of the sailing yacht on the cover face many of the same goals and challenges as any organization in an unpredictable business environment. Success and possibly survival depend on a well-designed boat with a carefully selected and thoroughly trained crew that understands the strategy of the race. They must be able to quickly adjust the sails, rigging, and rudder to keep moving forward and somehow gain a competitive advantage in order to win the race. External factors may be visible and predictable, but invisible factors such as the wind and waves may be unpredictable and require minor adjustments or a major change in strategy.

When organizations face challenges, they depend on thoroughly trained professionals who react quickly to the changes in the environment and create strategies for success. Human Resource Management (HRM) is responsible for carefully selecting and training people with the necessary skills to pursue the strategy effectively. Some external factors can be predicted with a degree of certainty. Others such as the collapse of large banks and insurance companies, can seemingly come out of nowhere. Business challenges arrive with little warning and organizations struggle to adjust strategy in the face of an increasingly global business environment, rapidly changing technology, shortages of skilled labor, legal and political changes, changes in the sociocultural environment—just to name a few!

> Like a crew sailing an ocean race, success and possibly survival depend on a good crew that understands the strategy and can adapt quickly to the unpredictable environment.

Welcome to the 12th edition of *Fundamentals of Human Resource Management*. It is truly an exciting time to be studying Human Resource Management. We appreciate that you are taking time to read this preface to get a better understanding of the text and the resources for learning it includes.

About the Book

It is becoming increasingly important for employees on every level of the organization to understand Human Resource Management (HRM) elements such as recruitment, training, motivation, retention, safety, and the legal environment. This text is designed to introduce basic fundamentals of HR with opportunities for further exploration of more complex concepts. Although the world of HR professional certification is changing, the content of the text is aligned with the Body of Knowledge for the HR Certification Institute (HRCI) for Professional in Human Resources (PHR) certification and the Society of Human Resource Management Body of Competency and Knowledge for SHRM Certified Professional (SHRM-CP) certification. Learning objectives and content in this text are aligned with the required content areas developed and suggested by the Society of Human Resource Management (SHRM) which include the following:

- Employee and labor relations
- Employment law
- Ethics
- HR's role in organizations
- Managing a diverse workforce
- Outcomes: metrics and measurement of HR

- Performance management
- Staffing: recruitment and selection
- Strategic HR
- Total rewards (compensation and benefits)
- Training and development
- Workforce planning and talent management

We've addressed these with the most current research and examples possible to assist students in understanding the practical application of even the most theoretical concepts. Some examples will undoubtedly change quickly and unexpectedly as the future unfolds. Please consider this as an opportunity to research how and why these changes took place and their implications for HRM.

New to This Edition

- Revised learning objectives that are clearly aligned to course content.
- HRM Workshop at the end of each chapter has been extensively revised to include thought-provoking activities with links to learning objectives that encourage students to apply concepts, use critical thinking skills, and research HR best practices.
- Two case application activities for each chapter that require realistic application of HR concepts.
- Thorough update of all content including the following:

New to Chapter 1: Expanded coverage of technology and HR and introduction to legal issues. Updated coverage of diversity and inclusion. Introduction to sustainability and HR. New case that highlights ethics, technology, diversity, and work–life balance.

New to Chapter 2: New chapter opener that introduces strategy and metrics with an application to baseball. Expanded coverage of the evolution of management and management functions. All new comprehensive coverage of the relationship of HR and strategic management plus how HRIS helps track progress toward strategic goals. New section introducing Talent Management. New case that requires students to evaluate strategy and implement Talent Management at a growing supermarket chain.

New to Chapter 3: New chapter opener with interactive quiz on sexual harassment. Expanded coverage of how HR can help prevent sexual harassment. New case exploring handling of harassment and retaliation.

New to Chapter 4: New chapter opener on employees that made really poor decisions with communication technology. Updated and expanded coverage of social media and preventing problems that may arise. Expanded coverage of discipline policies and procedures. New case that deals with the controversial issue of guns in the workplace, laws, and policies.

New to Chapter 5: New chapter opener introducing HR planning at Samsung. Expanded coverage of the importance of strategy in HR planning and how HRIS can be a valuable asset. Discussion of companies abandoning telecommuting as a strategic decision. New case that requires students to apply concepts of talent management to a company in transition.

New to Chapter 6: Extended coverage of employment branding and writing effective job postings. New features on what it takes to be an effective recruiter and how to get a first job in human resources. New case requiring students to assist an organization with recruiting problems.

New to Chapter 7: New chapter opener introducing an award program for employers hiring applicants with significant barriers. Expanded coverage of interview methods including advice from experienced interviewers. Updated information on reference checking with more practical advice from an experienced manager. New case requiring students to find and correct a flawed interview process. New case requiring application of testing validity, impression management, and interviewer bias.

New to Chapter 8: Extensively revised and updated coverage of onboarding and socialization. Significant revision of employment training applying the Analyze, Design, Develop, Implement, and Evaluate (ADDIE) model. New case application requiring students to redesign onboarding, training, and development for a hospice. New case application highlighting innovative training and development at Whirlpool.

New to Chapter 9: New feature of the best practices in career development at Baxter. Expanded coverage of the role of managers in assisting with employee career development and ways employees can take responsibility for their own career development: updated career statistics, resources, and advice. New case application focusing on diagnosing employee unhappiness with career development programs. New case on Walmart's Leadership Academy.

New to Chapter 10: New chapter opener examining the value of performance appraisals and controversial suggestions to abolish the practice. Reorganized, updated, and expanded coverage of the purpose and process of performance management. New case application illustrating the use of technology in revising the appraisal process at Jelly Belly.

New to Chapter 11: Increased application of the Total Rewards approach to compensation and benefits. Updated examples and coverage of pay secrecy. Significantly expanded coverage of the influence and applications of the Fair Labor Standards Act. Revised and updated coverage of compensation. New case involving FLSA violations in the hospitality industry.

New to Chapter 12: New chapter opener on the benefits of allowing employees to bring dogs in the workplace. New coverage of benefits planning. Updated and revised coverage of health insurance and other voluntary benefits. New case allowing students to evaluate the benefits offerings and options for an employee dealing with life changes.

New to Chapter 13: Expanded coverage of OSHA inspection procedures and employer obligations. New coverage of bullying in the workplace. Updated explanation and terminology for musculoskeletal disorders in the workplace. New case requiring students to evaluate a situation for discipline, safety, bullying, or workplace violence. New case requiring students to evaluate OSHA actions.

New to Chapter 14: New chapter opener on politics and support for unions. Expanded coverage of the union-organizing process, collective bargaining, and contract administration. New feature on Northwestern University Football efforts to form a union. New feature on the ethics of strikes and lockouts. New case examining the effect of West Coast dockworker labor dispute on employers depending on imports and exports.

Features to Encourage Learning

We write the way we teach, so you'll probably notice the conversational style of this text. Our hope is that a down to earth and occasionally humorous writing style will encourage students to read the book. Students taking the class online may also appreciate a text that is more conversational since they usually do not have regular face-to-face interaction with faculty or classmates. Here are a few more features of the text that facilitate learning:

Learning Outcomes Revised and updated to provide goals and guidance.

Chapter Openers, Ethical Issues, Contemporary Connection, Tips for Success, and Diversity Topics Provide summaries and examples of current issues with questions to use for assignments, group discussions, comprehension checks during lectures, and cooperative learning projects.

Chapter Summaries Concise summaries linked to the learning outcomes identified at the beginning of each chapter.

Key Terms Throughout the chapter, key terms are highlighted where they first appear in the text and are defined in the margin as well as in the Glossary section in the back of the book. Key terms are also listed at the end of each chapter as a reminder of the major terms defined in the material just read.

Reviewing Important Concepts These reading-for-comprehension questions are drawn directly from the chapter material. The discussion questions are organized to correlate to learning objectives.

Evaluating Alternatives Situations that require students to evaluate and analyze controversies, value judgments, or differing interpretations of policies and laws in the workplace.

Research and Communication Skills Require students to investigate current problems, local issues, and examples and develop communication and presentation skills so important to HR professionals.

Making a Difference: Service Learning Projects Suggestions for students to develop and participate in activities that make a difference in their community or the world. Projects require application of HRM concepts and have the added benefit of enhancing students' resume and employability.

Case Applications Two thought-provoking teaching cases at the end of every chapter with questions coordinated with learning objectives. The first is a fictional case designed to require students to apply HR concepts to an employer's realistic problem. The second involves recognized companies applying the concepts and requiring students to evaluate their actions using HR concepts from the chapter.

Supplemental Material

This book is supported by a comprehensive learning package that helps instructors create a motivating environment and provides students with additional instruments for understanding and reviewing major concepts. The following resources can be found on the instructor and student companion sites at www.wiley.com/college/decenzo.

Instructor's Resource Guide

This includes a chapter overview, description of additional features within the chapter, chapter outline, additional lecture and activity suggestions, answers to class exercises, answers to case applications, and additional review and discussion questions for each chapter.

PowerPoint

A robust set of PowerPoint slides developed to help enhance your lectures are provided for each chapter. An image bank, containing all of the illustrations from the text, is also provided for inclusion in PowerPoint presentations. The slides have also been provided in handout form on the student companion site.

Test Bank

This resource contains approximately 80 questions per chapter, including multiple choice, true/false, matching, and completion questions.

Computerized Test Bank

This test bank, powered by Diploma, allows instructors to customize quizzes and exams for each chapter.

Video Package

This course contains a selection of video clips that relate to various topics throughout the text, available on both the instructor and student companion sites. These can be used to introduce topics, provide group activities during class, or provide background for class discussion. A learning guide for the videos is available on the instructor companion website.

Student Web Quizzes

Online quizzes, varying in level of difficulty, are designed to help students evaluate their individual chapter progress. Here, students will have the ability to test themselves with 15 questions per chapter.

WileyPLUS Learning Space

The factors that contribute to success—both in college and in life—aren't comprised of intellectual capabilities alone. In fact, there are other traits, strategies, and even daily habits that contribute to the overall picture of success. Studies show that people who can delay instant gratification, work through tasks even if they are not immediately rewarding, and follow through with a plan have the skills that are not only valuable in the classroom, but also in the workplace and their personal lives.

A place where students can define their strengths and nurture these skills, *WileyPLUS Learning Space* transforms course content into an online learning community. *WileyPLUS Learning Space* invites students to experience learning activities, work through self-assessment, ask questions and share insights. As they interact with the course content, peers and their instructor, *WileyPLUS Learning Space* creates a personalized study guide for each student.

As research shows, when students collaborate with each other, they make deeper connections to the content. When students work together, they also feel part of a community so that they can grow in areas beyond topics in the course. With *WileyPLUS Learning Space*, students are invested in their learning experience and can use their time efficiently as they develop skills like critical thinking and teamwork.

Through a flexible course design, you can quickly organize learning activities, manage student collaboration, and customize your course—having full control over content as well as the amount of interactivity between students.

WileyPLUS Learning Space lets you:

- Assign activities and add your own materials
- Guide your students through what's important in the interactive e-textbook by easily assigning specific content
- Set up and monitor group learning
- Assess student engagement
- Gain immediate insights to help inform teaching

Defining a clear path to action, the visual reports in *WileyPLUS Learning Space* help both you and your students gauge problem areas and act on what's most important.

With the visual reports, you can:

- See exactly where your students are struggling for early intervention
- Help students see exactly what they don't know to better prepare for exams
- Give students insight into their strengths and weaknesses so that they can succeed in your course

Acknowledgments

Getting a finished book into a reader's hands requires the work of many people. The authors do their part by efficiently developing an outline, thoroughly researching topics, writing about the topics, and developing learning activities. We would like to recognize just a few of the people who contributed to this text.

First are our reviewers. Authors cannot survive without good feedback from reviewers. Ours were outstanding, and we appreciate the feedback they gave us. We do recognize that the book before you is better because of the insight they provided. We'd like to recognize reviewers of this edition: Denise H. Barton, Wake Technical Community College; Mary Anne Edwards, College of Mount Saint Joseph; Laurie Giesenhagen, California State University-Fullerton; Kelly Anne Grace, Georgia Institute of Technology; Jennie Johnson, University of Texas-Brownsville; Gundars Kaupins, Boise State University; Margaret Rechter, University of Pittsburgh, Greensburg; Valerie L. Robinson, Bakersfield College; Andrea Smith-Hunter, Siena College; Gary Stroud, Franklin University; Peter Szende, Boston University; Kostas Voutsas, Dickinson State University.

A book doesn't simply appear automatically on bookstore shelves. It gets there through the combined efforts of many people. For us, this is the outstanding publishing team at John Wiley & Sons, consisting of George Hoffman, Director; Lisé Johnson, Acquisitions Editor; Gladys Soto, Project Manager; Marcus Van Harpen, Project Specialist; Amanda Dallas, Editorial Assistant; and Devarajan Murugesan, Production Editor. The management and HRM students of Des Moines Area Community College also deserve a big thank you for their endless supply of issues, examples, and suggestions.

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From Steve: To Laura for all that she brings to my life.

From Susan: To my endlessly supportive husband John, my amazingly talented daughter Katie, and my wonderful Mom. I love you all more than I can say.

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Courtesy of Costal Carolina University

Courtesy of Stephen P. Robbins

Courtesy of Paul Blaser, Blaser Photography

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Susan and her family enjoy traveling and sailing.

1

The Dynamic Environment of HRM

William Perlman/Star Ledger/Corbis

Now and then a disaster strikes a community with a ferocity that is beyond the worst-case scenario. Typhoon Haiyan struck the Philippines killing nearly 6,000; displacing 3.6 million[1]; and nearly wiping out the infrastructure for communications, electricity, and transportation. Hurricane Sandy caused unprecedented damage when it struck the eastern United States, leaving millions without electricity for weeks and in some cases, months. During times like these, many people turn to their employers for help as they try to regain some sense of stability, and Human Resource (HR) professionals are often the key to a successful recovery effort for both businesses and communities as they seek safety, support, and the basics of life.

This scenario has been played out in many communities worldwide during recent disasters, including wildfires, tornadoes, flooding, hurricanes, earthquakes, tsunamis, economic meltdowns, and overthrown governments. These disasters have a ripple effect and are challenging not only for local employers but also for a host of multinational companies that have interests in the country affected. The role of the HR professional can vary widely depending on the magnitude of the disaster and the size of the company. In a large organization, HR may work with the risk management, security, communications, and PR departments to coordinate a comprehensive response. This may include providing employees with protection, transportation, communication, shelter, food, and possibly even evacuation.

Natural disasters are only part of the complex environment faced by HR professionals operating in a global environment. Political unrest can also put employees in peril. In countries such as Egypt, Libya, Yemen, and Syria, HR professionals have had to track down missing or kidnapped employees or arrange to evacuate employees to safety by ferry or chartered aircraft.[2]

The complicated scenarios involved in managing a worldwide workforce will only multiply as more businesses have global interests and multinational corporations continue to grow. Welcome to the dynamic environment of Human Resource Management (HRM) in our changing world. Fasten your seat belt and grab some fresh batteries. You're in for a wild ride.

Looking Ahead

How have environmental factors such as technology, the economy, or natural disasters affected your work experience? Does your employer or college have a disaster recovery plan?

LEARNING OUTCOMES

After reading this chapter, you will be able to:

1. Discuss how globalization affects HRM practices.
2. Describe how human resource managers use technology.
3. Explain regulation and legislation issues relevant to HRM.
4. Identify trends in the composition of the workforce and how HRM must adapt.
5. Explain how HRM supports diversity and inclusion in the workplace.
6. Explain the contingent workforce and other methods used to control labor costs.
7. Explain how HRM supports continuous improvement programs.
8. Identify ways that HRM facilitates employee involvement.
9. Outline emerging challenges facing HRM.

Introduction

Disaster relief probably isn't the first thing you thought you would learn about in an HRM textbook. Fortunately, catastrophic disasters are rare, but almost anything that concerns the well-being of the people in an organization is the concern of HR professionals. When disaster strikes a community, people often turn to their employers for support, stability, and safety. This places enormous pressure on HRM to anticipate and prepare for the unexpected, whether it is a natural disaster, technological change, political, or economic volatility. The majority of environmental changes faced in global business are not of the life-or-death variety, but it's important to recognize forces in our business environment that affect the expectations of employees as well as customers, and that's what we are going to discuss in this chapter.

HRM is a subset of the study of management that focuses on how to attract, hire, train, motivate, and maintain employees. Strong employees become a source of competitive advantage in a global environment facing rapid and complex change. HRM professionals must be prepared to deal with the effects of these changes. This means understanding the implications of an increasingly complex external environment that includes globalization, global economies, technology changes, workforce diversity, labor shortages, changing skill requirements, continuous improvement initiatives, the contingent workforce, decentralized work sites, company mergers, offshore sourcing of goods and services, and employee involvement. Let's look at how these changes are affecting HRM goals and practices in organizations functioning in a global environment.

Globalization

globalization
A process of interaction and integration among the people, companies, and governments of different nations, driven by international trade and investment and accelerated by information technology.

multinational corporations (MNCs)
Corporations with significant operations in more than one country.

transnational corporation
Organization with extensive international operations and subsidiaries in many countries, no longer identifying with a single "home" country.

The process of making transactions across international borders is called **globalization**. The number of organizations seeking to find a talented workforce, advanced technology, suppliers, trade information, transfer capital, and move products has increased dramatically over the last 20 years due to a variety of factors, including technology and the Internet.[3] As globalization accelerates, national borders reduce in importance to business and global economies become more interdependent.

Multinational corporations (MNCs) are typically based in a home country, but have significant operations in many other countries. This allows them to extend their production and distribution on a regional or global basis to take advantage of the resources and markets in other countries. These opportunities for growth have enabled many organizations to develop extensive international operations with subsidiaries in many countries, no longer identifying with a single "home" country, earning the title of **transnational corporation**. General Electric is a good example of one of the largest transnational companies with more than 70 percent of its over $500 billion in assets held outside the United States and over half of their approximately 300,000 employees based abroad.[4]

Other familiar multinational and transnational companies include Toyota, Nestle, Anheuser-Busch InBev, and Exxon Mobil. These organizations are able to take advantage of the global pool of talent and resources as opportunities arise. This requires HRM professionals to adapt to cultures, legal systems, and business practices in many different countries and ensure that employees with the appropriate mix of knowledge, skills, and cultural adaptability are available and ready to handle global assignments. Throughout this book, we will examine many of the challenges involved in staffing, training, developing, motivating, and maintaining a global workforce. In spite of these challenges, many U.S.-based organizations such as Microsoft, FedEx, and Marriott have been recognized by the Great Place to Work Institute[5] as multinational companies with at least 40 percent of their workforce outside their home country and great working environments in their worldwide operations.

lovin' it™
i'm lovin' it

Uriel Sinai/Getty Images, Inc.

Many organizations have explored expansion to other countries to find new markets and labor sources. McDonald's started expanding internationally in 1967. They now have over 30,000 restaurants in 118 countries.

Understanding Cultural Environments

The rise of multinational and transnational corporations places new requirements on human resource managers to understand global and organizational cultures and to ensure that employees have the appropriate mix of knowledge, skills, and adaptability to operate within those cultures. **Culture** is defined as the patterns or thought and behavior that distinguish one group of people from another.[6] When background, language, custom, or age differences increase, employee conflict is likely to become more of an issue. HRM must make every effort to educate groups on cultural differences and to find ways to build teams and reduce conflict.

The variety of values, ethics, religious practices, customs, economic environments, and political and legal systems in the world puts enormous pressure on HR professionals and managers to understand the circumstances of each country in its own context. The perception of societal issues, such as status, might affect operations in another country. For example, in France, status is often the result of factors important to the organization, such as seniority and education. This emphasis is called *ascribed status*. In the United States, status is more a function of what individuals have personally accomplished, also known as *achieved status*. This may be important when developing job descriptions or determining how to use promotions from within as a motivational tool. Organizations that view the global environment solely from a home country perspective will encounter problems. A more appropriate approach is to recognize the cultural dimensions of a country's environment (see Exhibit 1-1).

Research findings allow us to group countries according to such cultural variables as status differentiation, societal uncertainty, and assertiveness.[7] These variables indicate a country's means of dealing with its people and how the people see themselves. For example, in an *individualistic society* such as the United States, people are primarily concerned with themselves and their own family. In a *collective society* (the opposite of an individualistic one) such as that in Japan, people care for all individuals who are part of their group. A strongly individualistic U.S. employee may not work well if sent to a Pacific Rim country, where collectivism dominates without training in how to adapt to the

culture
The patterns or thought and behavior that distinguish one group of people from another.

Exhibit 1-1
Cultural Values

Countries differ greatly on the emphasis they place on the individual versus the collective. Organizations that plan to enter the global environment need to do their homework to understand the culture and workers.

Countries That Value Individualism, and Acquiring Things	Countries That Value Relationships, and Concern for Others
United States	Japan
Great Britain	China
Australia	Pakistan
Canada	Singapore
Netherlands	Venezuela
New Zealand	Philippines

culture. For example, managers may need to focus on accomplishments of the team rather than individual when appraising job performance in a society that is highly collectivist.

Technology

Think about the technology you've used today. Did you use a smart phone to take a picture or send a text? Check a social media site to see what's up with friends or update your own status? Check your e-mail or voicemail? Use Wi-Fi on a laptop or iPad? Maybe you're reading this text as an e-book or taking this class online. It's hard to imagine daily life without these, but they are all on CNN's list of the top 25 innovations of the last 25 years.[8]

The Internet was the clear winner in CNN's reader poll of the most influential innovations of the last quarter century. As mentioned earlier, technology and the Internet are responsible for accelerating the globalization of the world's economy. The influence of the technology and the Internet on our lives, employers, the way we work, and the economy was on the mind of Thomas Friedman, a Pulitzer Prize-winning *New York Times* author, as he explored the foundations of globalization in his best-selling book, *The World Is Flat*. Friedman explained that countries, companies, and individuals are now able to compete on an almost level playing field, aided by cheap instantaneous communication via fiber optics and the Internet. Fast inexpensive transportation of people and goods have accelerated the process of globalization. Individuals are now empowered to compete globally, regardless of their country of origin. Friedman projects that world economies will be dominated by empowered individuals, creating a business environment that is more diverse and less dominated by organizations in Western countries. This has created a shift in geographic labor supply and demand. Just as the industrial revolution changed national economies by shifting jobs from craftsmen to mass manufacturing, globalization has shifted demand for manufacturing and services such as customer service to low-cost providers in Mexico, India, and China.

Friedman points out that these forces can't be turned back and will only grow in their impact. Organizations operating in this global environment recognize that this diverse world includes many different nationalities, languages, and cultures. HR professionals need to be prepared for the challenge in welcoming diversity and adapting training.[9]

Working with Technology

Knowledge-work jobs are designed around the acquisition and application of information.

Technology has been a good news/bad news proposition for workers. While technology has reduced the demand for manufacturing jobs through automation and increased competition with other countries, it has also generated an increase in the demand for service producing and technology positions. Employment in **information technology (IT)** is expected to be among the fastest growing job sectors through 2022, along with online publishing and wireless telecommunications.[10]

Peter Drucker, the late management scholar and consultant, held that the key to the productivity of **knowledge workers** depends on the ability to use technology to locate and use information for decision making.[11] It's increasingly difficult to find careers that do not use any type of technology, requiring HR professionals to be aware of not only technology necessary for HR but also the technology skills necessary for everyone in the organization, including professionals such as registered nurses, accountants, teachers, lawyers, and engineers.

IT refers to the technological infrastructure of an organization. IT professionals select and install hardware and software that suit the organization's information needs and do any customization that is necessary. **Information systems (IS)** is concerned with the way the organization uses IT. IS professionals help determine how IT can enhance decision making, improve organizational performance, and help create competitive advantage. They look into organizational processes such as distribution or finance and determine ways to use technology to operate more efficiently and respond to external

information technology (IT)
Creating and maintaining the technology infrastructure of an organization.

knowledge workers
Individuals whose jobs are designed around the acquisition and application of information.

information systems (IS)
Using information technology to improve organizational performance.

circumstances quickly and effectively. IS professionals are likely to be trained in a business school rather than a computer science school.[12]

Technology and HR

Technology has changed the way human resource managers manage and communicate information. Many HR tasks have been automated, making it easier for employees to access HR information quickly and easily via company websites and intranets. These self-service systems allow employees to access frequently requested information such as payroll, benefits, available training, employee handbooks, and deductions conveniently. The **Human Resource Information Systems (HRIS)** that make this possible also gather, store, and analyze HR information allowing HRM professionals to better facilitate payroll, benefits administration, applicant tracking, training, performance management, and many other important HR functions.

Human Resource Information Systems (HRIS)
Systems used to gather, store, and analyze information regarding an organization's human resources.

HRIS systems can be tailored to the needs of any size business but are considered necessary for organizations with over 200 employees and can be delivered in a variety of ways. On-premise systems are HR software and hardware installed at the company's place of business and maintained by the employer's own IT staff. Hosted systems are purchased by the employer, but housed at the vendor's site and maintained by the vendor's IT staff. The employer accesses the HR system remotely. **Software as a service (SaaS)** provides the HR services on a subscription basis and is accessed through a web browser, allowing access anywhere the Internet is available. Software as a service businesses of any size is also called a cloud-based service because it's accessed through the Internet. Companies providing SaaS often provide extensive employee access to self-service of HR information through either computers or mobile apps.[13]

software as a service (SaaS)
Software delivered on the Internet on a subscription basis.

Staffing Chances are you've used an online source like to look for job opportunities. Did you check the "Careers" section of the company website? CareerBuilder, Monster, Indeed, or another online job board? LinkedIn, Facebook, Twitter, or other social media? Most employers recruit online because it's the most effective way to find qualified applicants. Many of these also offer advanced search services to employers such as assistance with defining and promoting their "employment brand"; analyzing the success of recruiting efforts; hosting the "Careers" section of the company website; and developing recruiting strategies for positions that are difficult to fill such as engineers, skilled trades, IT, and sales.

Once applicants have been identified, HRM must carefully screen final candidates to ensure they fit well into the organization's culture. HRIS tools help track the hiring process and make sure there is a good match between a candidate's skills and the job description. Online assessments help to determine which candidates are team players, handle ambiguity and stress well, and will be a good fit with company culture. Companies such as Southwest Airlines and Four Seasons Resorts recruit employees who convey a positive attitude, which to them is a better indicator of job success and fit with company culture than experience.

Training and Development HRIS software helps HRM orient, train, and develop employees and help them manage their careers. Web or cloud-based services provide training and development to employees on demand, whenever the employee has the time to concentrate on the material. Online training and teleconferencing also allow HR departments to deliver cost-effective training that helps stretch the HR budget.

Ethics and Employee Rights Knowledge workers are susceptible to distractions that can undermine their work effort and reduce their productivity. Electronic surveillance of employees by employers is an issue that pits an organization's desire for control against an employee's right to privacy. Surveillance software only adds to the ethical dilemma of how far an organization should go in monitoring the behavior of employees (see Ethical Issues in HRM, Invasion of Privacy?). Employers concerned about productivity monitor employee's computer use to prevent employees from checking personal e-mail and social media, surfing the web, checking stocks, placing bets at online casinos, or shopping for presents for family or friends on Cyber Monday. Fantasy football costs employers $1.1 billion a week in lost productivity, and employees spend over 8 million hours watching NCAA basketball tournament games according to an industry survey.[14] The American Management Association reports that 66 percent of employers monitor employee's Internet use and 28 percent have fired employees for e-mail misuse.[15]

Every organization needs a clear policy that thoroughly explains what is appropriate and inappropriate use of company Internet, e-mail, and social media. Employees need to understand that there is no privacy when they use e-mail, blogs, and social media, and that personal comments and photos are often grounds for discipline if they can be interpreted as discriminatory, harassing, or defamatory. We will take an extensive look at the privacy rights of employees in Chapter 4, and we will study the ethics of HRM throughout this book.

Masterfile

Cloud-based software as a service (SaaS) allows organizations of any size to deliver training and other HR services to employees when and where they need it.

Compensation It's becoming more difficult today for organizations to find and retain technical and professional employees. Many companies have implemented an extensive list of attractive incentives and benefits rarely seen by nonmanagerial employees in typical organizations, for instance, signing bonuses, stock options, cars, free health club memberships, full-time on-site concierges, and subsidies for mobile phones. Technology is also making compensation more transparent. Online sources such as Glassdoor are making it easier for applicants to compare salaries at prospective employers and current employees to compare salaries within an organization. Pay plans and employee benefits will be addressed in depth in Chapters 11 and 12.

Communication Technology breaks down historical organizational communication pattern flows. It also redefines how meetings, negotiations, supervision, and water cooler talk are conducted. For instance, e-mail, instant messaging, Skype, GoToMeeting, Facebook, LinkedIn, Twitter, and other social media allow employees to keep in close contact regardless of position or location. It's just as simple for employees in Baltimore and Singapore to share company gossip as employees who work two cubicles apart.

Telecommuters Much of the challenge regarding decentralized work sites revolves around training managers to establish and ensure appropriate work quality and on-time completion. Decentralized work sites remove traditional "face time," and requiring managers develop new ways to motivate, workers they may rarely see. Greater employee involvement allows workers the discretion to make decisions that affect them. For instance, although a due date is established for the work assigned to employees, managers must recognize that offsite employees (or telecommuters) will work at their own pace at irregular intervals. Accountability rests with results, not on the means by which they are accomplished. Working from home may also require HRM to rethink its compensation policy. Will it pay workers by the hour, on a salary basis, or by the job performed?

Competitiveness Technology tends to level the competitive playing field.[16] It provides organizations, no matter their size or market power, with the ability to innovate, bring products to market rapidly, and respond to customer requests. Remember that Globalization 3.0 allows individuals to compete worldwide in purchasing or providing services. Many companies have found that services in technology, programming, radiology, and financial analysis can be provided by skilled employees in India as easily as an employee in the United States.

ETHICAL ISSUES IN HRM

Invasion of Privacy?

Technological advances have presented employers with sophisticated employee monitoring and some real ethical gray areas. Although most of this monitoring is designed to enhance worker productivity, it creates concern over worker privacy. What do managers have the right to know about employees and how far can they can go to observe employee behavior on the job? Consider the following:

- The Food and Drug Administration (FDA) monitored the personal e-mail of several employees who had expressed concerns about the safety of FDA-approved medical devices for 2 years. The employees claim that monitoring violated their rights and whistle-blower laws. An FDA spokesperson responded that FDA employees are reminded when they log on to a government computer they have "no reasonable expectation of privacy."[17]
- Harvard University searched the e-mail accounts of 16 faculty deans in an attempt to determine who had leaked details of a cheating scandal to the media. This was in violation of Harvard's policy that required notification when searching faculty e-mails.[18]
- Des Moines Public Schools fired the superintendent after a search of her e-mail account revealed sexually explicit e-mails sent by the married superintendent to her lover using her school e-mail account, iPad, and laptop. The superintendent claimed that the search violated her right to privacy. The school district claimed that she violated the district's technology policy. The dispute is working its way through the court system.[19]
- CareerBuilder reports that 39 percent of employers look at applicants' social media sites and 43 percent have rejected candidates based on content of those sites.[20]
- Employee ID badges with radiofrequency identification (RFID) technology can track employee movements including the timing and location of breaks and even who they encounter and speak with during the day.

Ethical questions:

When does an employer's need for information about employee performance cross over the line and interfere with a worker's right to privacy? Is any type of monitoring acceptable as long as employees are notified ahead of time that they will be monitored?

Regulations and Legislation

New laws and court decisions change HR every day. Additionally, the Department of Labor (DOL), National Labor Relations Board (NLRB), and many other government agencies frequently revisit the way they interpret and enforce policies and laws involving employees and employers. It isn't just on the national level. States and cities create and enforce laws and regulations that may add additional protection for employees. California, in particular, has a significant number of laws that extend employee rights beyond those provided by the federal government. Some issues that have been addressed in the states include increasing minimum wage above the federal minimum, protecting employment rights of smokers or the obese, requiring employers to provide mandatory sick leave, restrictions on requiring employees to travel in bad weather, and either cracking down on or increasing the rights of illegal immigrants in the workplace. When local or state laws conflict with federal laws, the one that gives employees more rights usually prevails.

Because legal rights and requirements are so important, **legal compliance** has become a major responsibility for HRM. Records must be kept, posters must be posted, data must be reported, safety must be monitored, and a thousand other legal requirements need to be monitored to protect the rights of employees and protect the employer from legal liability. We will address many of these requirements as we study hiring, compensation, benefits, unions, safety, and many other topics. Professional organizations such as Society of Human Resource Management (SHRM) help HR professionals keep informed on the latest legal issues and provide lobbying efforts to inform legislators about the concerns of employers and HR professionals. Exhibit 1-2 lists a few of the major laws that have had a tremendous effect on HRM in organizations.

legal compliance
Making sure that all legal requirements involved in employment are met.

Exhibit 1-2

Relevant Laws Affecting HRM Practices

Many laws protect the rights of employees in the workplace. These laws protect employee rights to union representation, fair wages, family medical leave, and freedom from discrimination due to conditions that are not related to job performance.

Year Enacted	Legislation	Focus of Legislation
1935	National Labor Relations Act (Wagner Act)	Prohibited unfair labor practices by management and protects unions
1938	Fair Labor Standards Act	Provides minimum wage and overtime pay. Defines employee status
1947	Taft–Hartley Act	Protects management rights and prohibits unfair labor practices by unions
1959	Landrum–Griffin Act	Requires financial disclosure for unions
1963	Equal Pay Act	Prohibits wage discrimination
1964	Civil Rights Act Title VII	Prohibits discrimination in all employment decisions on basis of race, religion, ethnicity, sex, and national origin
1967	Age Discrimination in Employment Act	Protects employees over 40 from discrimination
1970	Occupational Safety and Health Act	Protects workers from workplace hazards
1970	Fair Credit Reporting Act	Limits use of credit reports in employment decisions
1974	Privacy Act	Permits employees to review personnel files
1974	Employee Retirement Income and Security Act	Protects employee retirement funds
1978	Mandatory Retirement Act	Raises mandatory retirement age from 65 to 70; uncapped in 1986
1978	Pregnancy Discrimination Act	Protects from discrimination due to pregnancy
1978	Uniform Guidelines of Employee Selection Procedures	Prohibits hiring policies that have an adverse impact on a race, sex, or ethnic group
1986	Immigration Reform and Control Act	Requires verification of citizenship or legal status in the United States
1986	Consolidated Omnibus Budget Reconciliation Act	Provides for benefit continuation when laid off
1988	Drug Free Workplace Act	Requires some federal contractors to follow certain requirements to maintain a drug-free workplace
1988	Employment Polygraph Protection Act	Prohibits use of polygraphs in most HRM practices
1989	Worker Adjustment & Retraining Notification Act (WARN)	Requires employers to give advance notice of plant closing or layoffs
1990	Americans with Disabilities Act	Prohibits discrimination against those with disabilities
1991	Civil Rights Act	Overturns several Supreme Court cases concerning discrimination
1993	Family and Medical Leave Act	Permits employees to take unpaid leave for family matters
1994	Uniformed Services Employment and Reemployment Rights Act	Protects the civilian employment of non-full-time military service members in the United States called to active duty
1996	Health Insurance Portability and Accountability Act (HIPAA)	Establishes guidelines for protecting private personal information by employers, insurers, and healthcare providers
2002	Sarbanes–Oxley Act	Establishes requirements for proper financial recordkeeping for public companies as well as penalties for noncompliance
2008	Genetic Information Nondiscrimination Act (GINA)	Prevents discrimination based on genetic information about employees or their families
2009	Lilly Ledbetter Fair Pay Act	Reinterprets timeframes available for employees to claim that they were victims of pay discrimination
2010	Patient Protection and Affordable Care Act	Requires employers with 50 or more employees to offer health insurance to employees or pay a penalty

We'll explore the laws regarding employment discrimination in depth in Chapter 3 and the other major laws influencing compensation, employee rights, and labor unions in relevant chapters.

Workforce Composition Trends

The terms workforce and labor market are frequently used interchangeably and refer to the available workers in a specific area such as a city, state, country, or region of the world. The number and characteristics of the individuals available to work are a primary concern for HR managers. Many factors influence the composition of the global workforce, including global economics, birthrates, education, and the increasing mobility of the workforce. Several trends emerge that concern HR professionals involved in planning and staffing, especially in global organizations.

Not Getting Younger

By 2050, the number of people in the workforce over 65 is expected to increase by 75 percent in developing countries, but the number of workers between the ages of 25 and 54 will only grow 2 percent.[21] There are several reasons that older workers are remaining in the workforce. For a variety of reasons, including a need for greater income to sustain current living standards or a desire to remain active, individuals over the age of 55 are remaining in the workforce, with more than 80 percent of the **Baby Boom generation**, indicating that they expect to work past age 65.[22] In addition, many European countries including the United Kingdom, Italy, and Denmark have raised the age that workers are eligible to receive pensions, prompting most older workers to remain in the workforce. HR professionals may see more intergenerational conflict in the workplace as up to four generations have different needs, work ethics, ambitions, learning styles, and expectations.

baby boom generation
Individuals born between 1946 and 1965.

More Demographic Shifts

Although the increase in the number of women and working mothers entering the workforce in the United States has slowed in recent years, it's growing in other areas. In Latin America, Asia, the Pacific Rim, the Middle East, eastern and central Europe, and Africa, a significant number of women are expected to enter the workforce in the next 10–20 years.[23] They are most likely looking for skilled and professional jobs since the number of women going to some type of postsecondary education is higher than the number of men.

Hispanics and Asians have been the fastest growing ethnic groups in the population and in the workforce over the last three decades, and the U.S. DOL predicts the trend to continue for the next decade.[24] Some estimates predict the trend to continue much longer, estimating that by 2050, the majority of the U.S. workforce will be Hispanic.[25] Of course, the problem of illegal immigration complicates the issue of worker diversity. HR professionals need to be diligent in understanding and enforcing immigration laws and worker documentation. We will discuss this further in Chapter 7.

Is There a Shortage of Skilled Labor?

If you're less than handy with tools around the house and have tried to find a skilled home-repair person, you may have experienced something that many businesses are also experiencing. Skilled trades are tough positions to fill and the shortage is worldwide. Worldwide job-staffing company Manpower reported that their Talent Shortage Survey found that employers in six of the world's ten largest economies ranked skilled trades as their toughest hiring challenge.[26] This includes electricians, carpenters, cabinetmakers, and welders. Some businesses have been unable to expand because they can't fill openings for skilled trades.

When economists announced in 2014 that employment levels had recovered to prerecession levels, many long-term unemployed were left wondering why they can't find a job if unemployment rates had decreased. The answer is that a complicated economic environment and changing skill requirements have reduced demand for some jobs while increasing demand for others, leaving HR professionals with a surplus of workers in some areas, and a shortage of workers in others. Many manufacturing jobs have moved abroad in the last decade; many other jobs have been automated, and the demand for unskilled production workers is not expected to rebound. At the same time, productivity per worker is on the increase, reducing the number of workers required to produce the same amount of output, further reducing the demand.

It would seem that the retirement of the Baby Boom generation would create job opportunities, but it's complicated. As addressed earlier, many older workers have chosen to remain in the workforce. Further complicating the picture, many of these older workers hold positions in the skilled trade areas where looming shortages exist. They will eventually retire, leaving a smaller workforce available for existing jobs. Immigration is expected to fill in some of the gap, resulting in an even more diverse workforce.[27]

New jobs being created increasingly demand highly skilled workers with math and science skills. Unfortunately, young workers worldwide are not choosing to prepare for skilled trades, creating a shortage in many areas. In fact, a survey by Manpower states that fewer than 10 percent of American teenagers, 12 percent of Italian, and 8 percent of Japanese choose to prepare for the skilled blue-collar work needed to meet demand and grow the economy.[28] The Manpower report found that their choice may be the result of an image problem or lack of available training. Healthcare and construction will likely see the biggest shortages of skilled applicants by 2022 according to the Bureau of Labor Statistics.[29]

DIVERSITY TOPICS

Valuing a Diverse Workplace

The workforce is changing, and in response, many organizations share the attitude expressed by Nike that diversity and inclusion are necessary to maintain a competitive advantage in a global marketplace. To fully maximize the contributions of minorities, management must commit to creating a culture that fosters mutual respect and understanding. This can be done by valuing our differences, which enrich our workplace, not only because it's the law, or because it's morally and ethically the right thing to do, or because it makes good business sense, but also because when we open our minds and hearts, we feel better about ourselves. And decency is hard to put a price tag on.

What can companies and organizations do to facilitate diversity? Here are a few suggestions[30]:

- Enlist leadership from all levels to accomplish diversity goals.
- Identify goals, barriers, obstacles, and solutions, and develop a plan to meet goals and overcome obstacles.
- Develop awareness through training, books, videos, and articles. Use outside speakers and consultants, as well as internal resources, to determine how to motivate and maximize the skills of a diverse workforce.
- Establish internally sanctioned employee support systems, networks, or groups.
- Challenge each employee to question his or her beliefs, assumptions, and traditions, and assess how they impact their relationships and decisions.
- Modify existing policies or create diversity policies and communicate them to all current and future hires.
- Hold managers accountable and reward them for developing, mentoring, or providing awareness training.
- Build in accountability through surveys and audits to measure progress as diligently as you would increase production quotas or maintain zero loss-time accidents. Then communicate the results and repeat the process. Continuous improvement applies to diversity as well as to production.

Masterfile

In times of labor shortage, good wages and benefits aren't always enough to hire and retain skilled employees. Human resource managers need sophisticated recruitment and retention strategies, and need to understand human behavior. Many organizations have chosen to become more appealing to applicants by developing cultures that are positive as well as productive.

The need for skilled workers with math and science skills is increasing, and shortages of qualified workers exist.

Diversity and Inclusion

Many employers are choosing to define **workforce diversity** in a much broader way that recognizes individuality rather than groups and labels. This includes going beyond Equal Employment Opportunity laws that protect recognized groups from discriminatory practices, recognizing that we are all unique individuals who want to be recognized for our uniqueness rather than our similarity to others.[31] Employees who are able to be open about all aspects of their spirituality, politics, sexual orientation, disabilities, socioeconomic status, family, cultural influences, and many other beliefs and characteristics, in addition to traditionally recognized and legally protected personal attributes, are happier, more engaged, and more productive.

workforce diversity
The varied personal characteristics that make the workforce heterogeneous.

Multiculturalism is another diversity issue shaping the labor pool. The proportion of U.S. residents emigrating from Latin American, South American, India, and China has increased significantly over the past decade,[32] bringing their cultures with them. Countries such as Great Britain, Germany, and Canada are experiencing similar changes. Canada, for example, has large populations of recent immigrants from Asia, Africa, the Caribbean, Central, and South America. These newcomers are making Canada's population more diverse and its workforce more heterogeneous.[33] The challenge of HRM is to establish inclusive workplaces that welcome, appreciate, and support our uniqueness.[34]

As organizations become more diverse, employers have been adapting their human resource practices to reflect those changes, creating a culture of **inclusion**.[35] An inclusive culture allows everyone, regardless of personal characteristics, to feel that they are valued, respected, and have equal access to all organizational opportunities. Most organizations have workforce diversity programs established to hire, promote, and retain minorities; encourage vendor diversity; and provide diversity training for employees. Many, such as Coca Cola, Nike, and FedEx, conduct cultural audits to ensure that diversity is pervasive in the organization (see Exhibit 1-3). A recent survey of global executives found overwhelming agreement that a diverse workforce improves the ability to connect with a diverse client base; a strategic initiative to increase workforce diversity gives access to a richer talent pool and creates a competitive advantage.[36]

inclusion
Valuing the contribution of everyone.

Diversity and Work–Life Balance

Supporting and retaining a diverse global workforce may require employers to make changes in the workplace that allow employees to balance the responsibilities of career and family or other responsibilities. For example, research shows that over half of working mothers prefer part-time work as a way to fulfill their family responsibilities as well as career goals. Many Gen Xers (born 1965–1980) and Gen Yers, also called Millennials (born 1982–early 2000s), while passionate about their careers, won't sacrifice family and leisure

Exhibit 1-3
FedEx Corporation Diversity Mission Statement

FedEx has created a mission statement that specifically addresses a commitment to diversity in the way the organization treats employees, customers, and suppliers.

Our diverse workforce, supplier base, and supporting culture enable FedEx to better serve our customers and compete more effectively in the global marketplace. We value the contributions and perspectives of all employees regardless of race, gender, culture, religion, age, nationality, disability, or sexual orientation. We will strive in our workplace practices to deal with our employees, customers, and suppliers in a fair and ethical manner.

Source: www.fedex.com/us/supplier/diverse/

for their career. This becomes a difficult balance for employers to maintain as the lines between employee work and personal lives blur in the face of a demanding competitive environment.

By 2020, 86 million millenials will make up 40 percent of the workforce, so their preference for a flexible working environment will be hard to ignore. Their definition of flexibility may be different from that of previous generations. For example, although 74 percent want flexible work schedules, 88 percent also want work–life integration, recognizing that work and life are almost seamlessly integrated due to technology. They just want a reasonable way to balance the demands.[37]

Complicating the issue is the expansion of global organizations. At any time and on any day, global corporations like Citigroup and Samsung have approximately 250,000 employees working somewhere around the globe. The need to consult with colleagues or customers 8 or 10 time zones away means that many employees of global firms are "on-call" 24 hours a day. Communication technology is a good news, bad news proposition, allowing people to work any time and from any place, yet never allowing them to be completely off the clock and out of touch. Organizational demands for increased productivity are another issue. It's not unusual for employees to work more than 45 hours a week, and some work much more than 50. Finally, organizations realize that today's married employee is typically part of a dual-career couple. This makes it increasingly difficult for married employees to find the time to fulfill commitments to home, spouse, children, parents, and friends. It's exhausting to think about, isn't it?

Labor Costs

Labor costs are a significant expense for many organizations. During the recent recession, many were forced to reduce the size of their workforce significantly using a variety of methods such as reduced hours, pay reduction, downsizing, outsourcing, offshoring, and using contingent labor. During the recovery, many organizations have been reluctant to regain their prerecession employment levels and have continued their use of contingent labor as a way to manage labor costs. Throughout this book, we'll examine additional ways to control labor costs by reducing costs of employee benefits, managing worker's compensation and disability claims and many others. For now, we'll focus on the challenges of downsizing, contingent workers, and offshoring.

Downsizing

downsizing
An activity in an organization aimed at creating greater efficiency by eliminating certain jobs.

The purpose of **downsizing** is to cut costs in the face of financial pressures or a downturn in the economy. It may also be a strategic move when restructuring requires an organization to close a division or facility (Exhibit 1-4). Sometimes, organizations attempt to increase their flexibility in order to better respond to change. Quality-emphasis programs

DIVERSITY TOPICS

Glass Ceiling Still a Barrier for Women Globally

As women and minority groups struggle to break through the glass ceiling into the executive ranks of U.S. businesses, it's interesting to compare how women in other countries are progressing. A recent survey found that women in China are world leaders, holding 51 percent of senior management positions. How are U.S. women doing? Check the chart below[38]:

China	51%	Russia	31%	France	26%	India	19%
Poland	48%	Germany	31%	Mexico	23%	Global average	24%
Philippines	37%	Canada	27%	United States	20%		

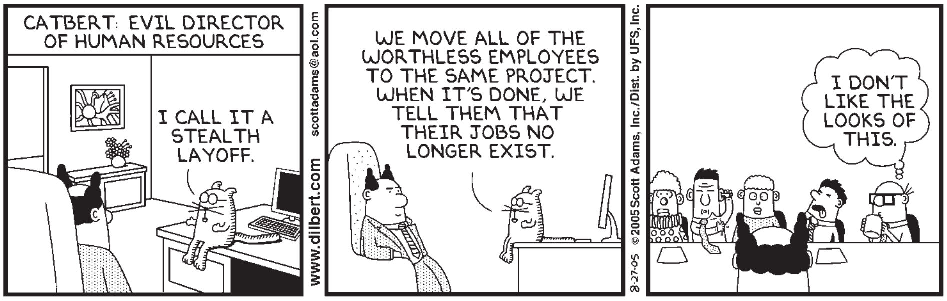

CATBERT: EVIL DIRECTOR OF HUMAN RESOURCES
I CALL IT A STEALTH LAYOFF.
www.dilbert.com scottadams@aol.com
WE MOVE ALL OF THE WORTHLESS EMPLOYEES TO THE SAME PROJECT. WHEN IT'S DONE, WE TELL THEM THAT THEIR JOBS NO LONGER EXIST.
8-27-05 © 2005 Scott Adams, Inc./Dist. by UFS, Inc.
I DON'T LIKE THE LOOKS OF THIS.

Exhibit 1-4

Are Layoffs Justified?

The cast of characters in Scott Adam's *Dilbert* comic strip frequently mirror the concerns and frustrations of workers everywhere.

DILBERT: © Scott Adams/Dist. By United Features Syndicate, Inc.

may create a flatter structure and redesign work to increase efficiency, resulting in the need for fewer employees. Companies such as GE, Kraft, and Time Warner have managed to create agility by dividing their organization into smaller, more flexible units. When downsizing is used as a way of balancing staff to meet changing needs, it may involve cutting staff in some areas as they increase staff in other areas. This change in staffing is often called **rightsizing**. Rightsizing promotes greater use of outside firms for providing necessary products and services—called **outsourcing**—in an effort to remain flexible and responsive to the ever-changing work environment.

rightsizing
Linking employee needs to organizational strategy.

outsourcing
Sending work "outside" the organization to be done by individuals not employed full time with the organization.

Contingent Workforce

Many organizations have learned that they can save money and increase their flexibility by converting many jobs into temporary or part-time positions, giving rise to what is commonly referred to as the **contingent workforce**. Temporary workers can be found in nearly every job category including administrative, nursing, accounting, manufacturing, legal, dentistry, IT, engineering, marketing, education, publishing, and even senior management positions.[39] The contingent workforce includes the following:

contingent workforce
The part-time, temporary, and contract workers used by organizations to fill peak staffing needs or perform work not done by core employees.

Part-time employees Part-time employees are those who work fewer than 40 hours a week. Generally, part-timers receive few employee benefits. Part-time employees allow organizations to supplement their staff during peak hours. For example, the bank staff that expects its heaviest clientele between 10 A.M. and 2 P.M. may bring in part-time tellers for those 4 hours. Part-time employees may also split one full-time job with another part-time employee, often called job-sharing.

Temporary employees Temporary employees may be employed during peak production periods to meet increased demand for production or services. Temporary workers also act as fill-ins when some employees are off work for an extended time. For example, an administrative assistant position may be filled using a "temp" while the employee is off work during his 12-week unpaid leave of absence for the birth of his daughter.

Contract workers Contract workers, freelancers, subcontractors, and consultants are contracted by organizations to work on specific projects. These workers are often highly skilled. Their fee is set in the contract and is usually paid when the organization receives particular deliverables. Contract workers are used because their labor cost is fixed, and they incur few of the costs associated with a full-time employee population.

Why do so many organizations depend so heavily on contingent employees? The rapidly changing environment we've been discussing often creates a need to quickly adjust their workforce. Having too many permanent, full-time employees limits management's ability to react. For example, an organization that faces significantly decreased revenues from seasonal fluctuations in sales, or the loss of a large client, may need to cut staff. Deciding whom to lay off and how layoffs will effect productivity and the organization as a whole is extremely complex in organizations with a large permanent workforce. On the other hand, organizations that rely heavily on contingent workers have greater flexibility because workers can be easily added or taken off projects as needed. In addition, staffing shortages, opportunities to capitalize on new markets, or obtaining someone who possesses a special skill for a particular project all point to a need for flexible staffing.

Issues Contingent Workers Create for HRM

core employees
An organization's full-time employee population.

Temporary workers and the flexibility they foster present special challenges for human resource managers. Because they often do not receive many of the amenities—such as training, health, and paid-leave benefits—that full-time **core employees** do, contingent workers may tend to view their work as not critically important. Accordingly, they may be less loyal, less committed to the organization, or less motivated on the job than are permanent workers. This tendency may be especially relevant to individuals forced into the temporary workforce from full-time employment. Today's human resource managers must recognize their responsibility to motivate their entire workforce—full-time and temporary employees—and to build their commitment to doing good work!

Where Do They Fit? A management decision to use contingent workers is a strategic one that requires planning and consultation with HRM. The decisions about scheduling, compensation, benefits, whether full-time positions may be offered, and many other issues must be made with consideration for the entire organizational workforce. Organizational culture must be considered, and as mentioned earlier, compliance with legal issues must be addressed.

Pay and Benefits Conflicts HRM must be prepared to deal with potential conflicts between core and contingent workers. The core employees may question the fairness in pay rates and flexibility in scheduling that the contingent workers receive. The core employees' salaries include benefits, but they may forget to factor in benefits when comparing their pay to that of contingent workers. For example, paying a training consultant $4,000 for presenting a 2-day skills-training program might cause some conflict with core HRM trainers, although the HRM trainer may not have the time or resources to develop such a program. If the consultant offers 20 of these 2-day programs over the year, earning $80,000 in consulting fees, a $50,000-a-year company trainer might take offense. These potential conflicts will need to be explained by HRM before they become detrimental to the organization—or, worse, provide an incentive for core employees to leave.

Correctly Classifying Employees An important issue that arises in hiring contingent workers revolves around the definition of an employee. This distinction is important because contractors are not eligible for family and medical leave, overtime, minimum wage, worker's compensation, unemployment compensation, and many other benefits. Additionally, since employers are not required to pay into social security, Medicare, income tax withholding, state unemployment insurance, and worker's compensation funds, the state and federal governments miss out on those revenues.

The Fair Labor Standards Act (FSLA) outlines the employment relationship. The DOL and Internal Revenue Service enforce the law and provide guidelines for employers to determine which workers are employees and which are not. The DOL has placed a high priority on enforcing compliance with the law. Their goal is to protect not only employees but also employers who are obeying the law and are at a disadvantage with others who have lower labor costs because of the lower costs associated with contractors. IRS guidelines below generally focus on three major categories—behavioral control, financial control, and the relationships of the parties. Businesses must weigh all of these factors when determining whether a worker is an employee or an independent contractor:

© nyul/iStockphoto

Are these customer service representatives employees, temporary employees, or contract workers? It depends on the amount of control the employer has over the work, details of compensation, and the employment agreement.

Behavioral: Does the company control or have the right to control what the worker does and how the worker does his or her job?

Financial: Are the business aspects of the worker's job controlled by the payer? These include things such as how the worker is paid, whether expenses are reimbursed, who provides tools, supplies, or other materials.

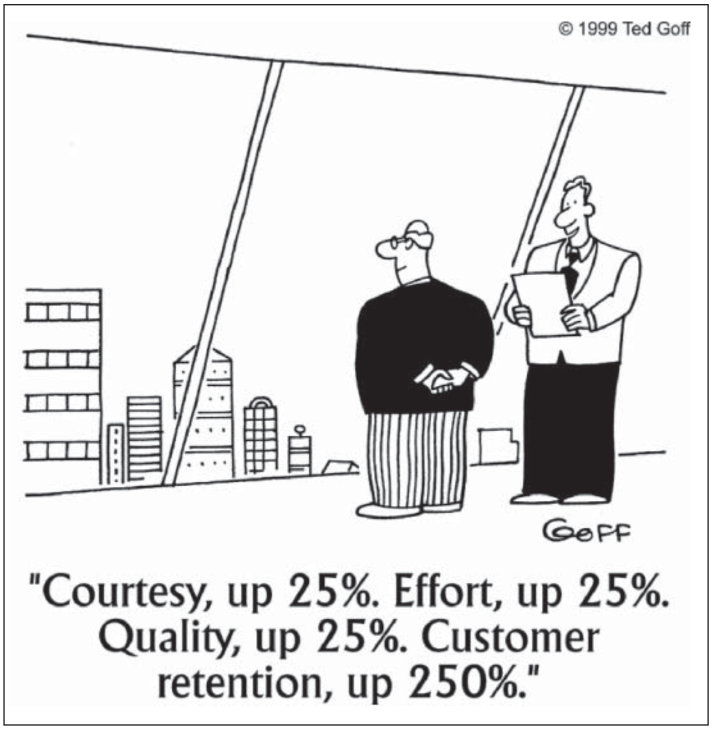
Type of relationship: Are there written contracts or employee-type benefits such as a pension plan, insurance, or vacation pay? Will the relationship continue, and is the work performed a key aspect of the business?

IRS guidelines admit that there is no specific determinant that makes a worker an employee or independent contractor. The entire relationship must be examined. Some factors may indicate that the worker is an employee, while other factors indicate that the worker is an independent contractor. In addition, factors that are relevant in one situation may not be relevant in another. It may seem confusing, but in general the individual is an employee if the employer controls what will be done, where it will be done, and how it will be done. The individual is probably an independent contractor if the employer only controls the results of the work, not the means or methods used to complete it.[40]

Exhibit 1-5

Continuous Improvement Programs

Organizations that pay attention to improving the quality of products and the customer experience see big rewards.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GOFF
"Courtesy, up 25%. Effort, up 25%. Quality, up 25%. Customer retention, up 250%."

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Offshoring

Offshoring, the process of moving jobs to another country for economic reasons, has been blamed for the decrease in employment in many industries, particularly in manufacturing. It's partly true, but economists estimate that offshoring may explain no more than 3 percent of all mass layoffs. Instead, many manufacturing jobs are lost to more efficient production methods such as robotics and computerized tooling.[41] Offshoring isn't always a permanent solution to controlling costs. General Electric has brought production of some appliances back to the United States and a few manufacturers of large, expensive products such as jet engines and power plant turbines also brought production back to the United States, a process **reshoring**, or bringing jobs back to the home country. Reasons cited include better educated and skilled workers and more dependable infrastructure such as water, power, and roads. Most economists and business leaders agree that although some companies have started the process of reshoring, the trend of moving jobs to places where the work can be performed by lower paid workers will continue.

Manufacturing jobs are not the only ones to be sent overseas. Many employers see offshoring as a necessity in order to compete in a global economy and find necessary skills, lower labor costs, and reduced costs of distribution. Some employers estimate that as much as 15–20 percent of their jobs will eventually be sent overseas, but this does not necessarily mean that the United States will see a reduction in overall employment. A quarter of employers who have sent jobs overseas were able to create a greater number of better paying jobs in the United States. Jobs frequently sent offshore include services that can be delivered electronically, such as an overseas radiologist reading X-rays e-mailed in the middle of the night or an accountant in India doing work to help a busy CPA firm in the United States during tax season. Other types of jobs that are seeing offshore growth include computer programmers, software developers, systems analysts, and . . . get ready . . . human resources.[42]

offshoring
The process of moving jobs out of one country and into another country.

reshoring
The process of bringing jobs back to the home country.

Continuous Improvement Programs

The ability to compete in a global economy requires an emphasis on quality production and services. The generic terms that describe this revolution are **quality management** and **continuous improvement** (Exhibit 1-5). Hiring, training, and maintaining workers able to support an emphasis on quality management and continuous improvement is a strategic HRM responsibility in many organizations. An early advocate of quality production was W. Edwards Deming, an American statistician who taught statistical methods to control quality in manufacturing. Deming went to Japan in 1950 and began advising many top Japanese managers on ways to improve their production effectiveness.[43] A well-managed organization, according to Deming, was one in which statistical control reduced variability and resulted in uniform quality and predictable quantity of output.[44] Deming's original program has been expanded into a philosophy of management driven by customer needs and expectations[45] (see Exhibit 1-6). Quality management expands the term

quality management
Organizational commitment to continuous process of improvement that expands the definition of customer to include everyone involved in the organization.

continuous improvement
Organizational commitment to constantly improving quality of products or services.

Exhibit 1-6

Components of Continuous Improvement

These components of the continuous improvement process help employers determine what factors to consider when facing change.

1. Intense focus on the customer. The customer includes not only outsiders who buy the organization's products or services, but also internal customers (such as shipping or accounts payable personnel) who interact with and serve others in the organization.
2. Concern for continuous improvement. Continuous improvement is a commitment to never being satisfied. "Very good" is not good enough. Quality can always be improved.
3. Improvement in the quality of everything the organization does. Continuous improvement uses a broad definition of quality. It relates not only to the final product but also to how the organization handles deliveries, how rapidly it responds to complaints, how politely the phones are answered, and so on.
4. Accurate measurement. Continuous improvement uses statistical techniques to measure every critical variable in the organization's operations. These are compared against standards, or benchmarks, to identify problems, trace them to their roots, and eliminate their causes.
5. Empowerment of employees. Continuous improvement involves the people on the line in the improvement process. Teams are widely used in continuous improvement programs as empowerment vehicles for finding and solving problems.

customer to include everyone involved with the organization including employees and suppliers as well as consumers of the organization's products or services. The objective is to create an organization committed to continuous improvement or, as the Japanese call it, **kaizen**[46]—one that leads to achieving an effective and lean workplace.

kaizen
The Japanese term for an organization's commitment to continuous improvement.

work process engineering
Radical, quantum change in an organization.

Work Process Engineering

After many years of outsourcing manufacturing of household appliances to places such as China, Vietnam, and the Philippines to take advantage of extremely low wages, General Electric took another look at the practice in 2009. Overseas wages and transportation costs were climbing. Advances in technology made it cost-efficient to bring production of a high-tech, energy-efficient water heater back to the United States. The appliance was completely redesigned. An existing factory in Louisville, Kentucky, was gutted and redesigned to take advantage of the latest manufacturing technology. The lessons learned from W. Edwards Deming and Frederick Taylor were used to increase efficiencies in materials and labor. A new lower wage structure was implemented for workers and production began. Soon after, a similar process was followed to bring manufacturing of high-end refrigerators back from Mexico.[47]

General Electric saw that developments in technology and economics made it possible to make dramatic changes in the processes used to make appliances. As we have mentioned several times, many organizations operate in an environment of rapid and dynamic change. Sometimes, incremental change simply won't do. As the elements around an organization quickly change, a continuous improvement process may actually keep them behind the times.

Work process engineering goes beyond incremental change and requires an organization to face the possibility that what the organization may really need is radical change. Work process engineering is more radical than continuous improvement and may be a response to game-changing developments in technology, competition, or the economy. It usually entails rethinking or redesigning processes used to accomplish organizational goals with the objective of dramatic improvements in efficiency and competitiveness. These actions will ultimately require many changes that will involve human resource professionals.

Tom Brady's success on the football field has been recognized with awards and achievements, including his record for the most completed touchdown passes in a season, yet each of those passes had to be caught by a teammate. Winning doesn't depend solely on the talents of superstars such as Brady. The strength of successful teams requires the efforts of many individuals—coaches, specialized position players, and a field general (the quarterback) who becomes one of the team's biggest cheerleaders.

Sportschrome/NewsCom

How HRM Can Support Improvement Programs

HRM must be ready to help affected employees overcome barriers to change.

Whenever an organization embarks on any improvement effort, it introduces change into the organization. Familiar routines are gone, replaced by new technology, processes, coworkers, and supervisors. Is it any wonder that employees react with fear and resistance, possibly even creating barriers to change. HRM must be ready to help affected employees overcome their resistance. Responsibility falls on HRM to prepare the organization and the affected individuals for the coming changes with clear and extensive communication of why the changes will occur, what is expected, and the effects on employees.

When changes in work processes are necessary, HRM must be prepared to train employees in these new processes and help them attain new skill levels that may be associated with improved operations. These skills may include new processes, upgraded technology, teamwork skills, or additional decision-making authority. Although employees may be involved in planning and implementing the necessary changes, uncertainty about what changes mean personally is stressful. As change is implemented, some may lose jobs, survivors may need retraining, and stress levels may be magnified. HRM must be ready to give employees appropriate answers and direction for what to expect, as well as assistance in dealing with conflicts that may result within the organization. Additionally, as many components of the organization are redefined, HRM activities that affect employees may need to change. For example, if redesigned performance standards change employee compensation packages (e.g., bonus/incentive pay), HRM needs to thoroughly explain the performance standards and how they will be evaluated.

Employee Involvement

Employee involvement means different things to different organizations and people, but for today's workers to be successful, a few necessary employee involvement concepts appear to be accepted. These are delegation, participative management, work teams, goal setting, and empowering of employees.

How Organizations Involve Employees

On a very basic level, employee involvement requires management to empower employees to make decisions that directly affect their work. To effectively participate in decisions involving the workplace, employees need all the information relevant to the decision and a thorough understanding of the job. Managers also need to delegate the authority to make the decisions and hold employees accountable for the results.

Work teams are an effective way to increase employee involvement. Workers from the same area or different specializations in an organization are brought together to complete complex projects. Often, diverse employee groups find that a team effort capitalizes on the various skills and backgrounds that each member brings to the team. Consider, for example, what kind of group it takes to put together a symphony. One musician could not possibly play all the various instruments at one time. To blend the music of the orchestra, symphonies have string sections, brass instruments, percussion, and so on. At times, however, a musician may cross over these boundaries, such as the trombonist who also plays the piano. With greater flexibility and involvement, employees are in a better position to achieve the desired ends and feel personal satisfaction with the result.

Employee Involvement Implications for HRM

Useful employee involvement requires supportive management and a culture of empowerment. Additionally, employees need training, and that's where HRM can make a valuable contribution. Employees expected to delegate, to have decisions made within a group, to work in teams, or to set goals cannot do so unless they know and understand what they are supposed to do. Empowering employees requires extensive training in all aspects of the job. Workers may need to understand new job design processes. They may need training in interpersonal skills to

Tomorrow's organizations will have an even greater emphasis on teams.

make participative management and work teams function properly. In the future, we can anticipate much more involvement from HRM in all parts of the organization.

Other HRM Challenges

The challenges to HRM are in the headlines every day. Issues such as the economy, offshoring, mergers, bankruptcies, layoffs, workplace violence, and unemployment lead the broadcast, print, and online news, and enter our daily conversation. As you study HRM, make a point of following current events as they affect employment. These issues will continue to evolve, and HRM will need to find ways to manage the changes as they affect employees. We will examine a few here, and more in other chapters, but you will find many more if you stay informed of current events.

Economy

It's hard to find an industry or organization that wasn't affected by the recent economic recession. The economy continues to slowly recover and unemployment is decreasing, but the recovery has been uneven, leaving some regions and industries behind. Areas that have recovered more quickly have found that the workplace and the skills required for success in the workplace have changed. Managers and employees often find that as business picks up, employers are slow to replace laid-off employees, requiring everyone to do more with fewer resources. HR must do additional training for retained and retraining workers who have assumed increased responsibilities.

Mergers

mergers
Joining ownership of two organizations.

acquisitions
The transfer of ownership and control of one organization to another.

Banking, telecommunications, and airlines have all seen increases in **mergers** and **acquisitions**, and many of us have had to get used to our banks, wireless carriers, and favorite airlines changing names in recent years. If you or someone you know has been affected by a merger or acquisition, you've probably experienced firsthand the uncertainty, change, loss of jobs, and differences in culture that are almost inevitable when companies combine. Approximately 25 percent of U.S. workers will be affected by a merger or acquisition over a 10-year period.[48] The number of mergers in recent years has steadily increased worldwide[49] and presents new challenges to HR professionals.

Mergers are a common way for businesses to enter new or global markets, acquire new technology, or gain a financial advantage by achieving economies of scale. Many mergers, possibly as many as three out of four, fail to achieve their objectives for financial or strategic gain. Many of the reasons for those failures can be traced to the lack of attention to the human resource function in the merger process. For example, the merger of Continental and United Airlines hasn't gone smoothly for a variety of reasons, including a poor merger of company cultures, failure to reach union agreements, and inadequate training. As a result, customer complaints are among the highest in the industry, possibly because of the high number of late arrivals and misplaced bags, problems that can be traced to morale and productivity.[50]

HR professionals can assist employees in the merger process by providing a well-planned communication strategy. Employees want honest, current information that includes the goals of the merger, anticipated benefits, and a preliminary timeline for the planned changes. Multiple methods of communication are necessary, including meetings, e-mails, and other online updates.

Labor Unions

labor union
Acts on behalf of its members to secure wages, hours, and other terms and conditions of employment.

A few years ago, dozens of workers who worked making Xbox 360 video game consoles assembled on the roof of a factory in China and threatened to jump to their deaths unless their employer, Foxconn, made good on a promise of severance pay. Strikes are rare in China, unions are ineffective, and the workers felt they had no other way to force their employer to pay the money promised to employees who quit voluntarily rather than taking a transfer to another factory. Fortunately for workers in most of the rest of the world, **labor unions** exist to assist workers in dealing with the management of an organization.

ETHICAL ISSUES IN HRM

Guidelines for Acting Ethically

Ethical choices aren't always obvious and HR, like many other areas of management, is often forced to select a course of action that has unpleasant consequences like dismissing and employee or facilitating a layoff of many employees. What can you do to enhance your abilities in acting ethically? We offer some guidelines.

1. Know your organization's policy on ethics. Company policies on ethics describe what the organization perceives as ethical behavior and what it expects you to do. HR is often responsible for communicating policies and ethical training.
2. Understand the ethics policy. Just having the policy in your hand does not guarantee that it will achieve what it is intended to. Ethics policies provide guidelines for uniform decision making throughout the organization.
3. Think before you act. Ask yourself, "Why am I going to do what I'm about to do? What led up to the problem? What is my true intention in taking this action? Is my reason valid, or are ulterior motives behind it, such as demonstrating organizational loyalty? Will my action injure someone? Is that injury unavoidable?"
4. Ask yourself "what-if" questions when you think about why you are going to do something. The following questions may help you shape your actions: "What if I make the wrong decision? What will happen to me? To my job? What if my actions were described, in detail, on the local TV news, or in the newspaper, or posted on Facebook? Would it bother or embarrass me or those around me? What if I get caught doing something unethical? Am I prepared to deal with the consequences?"
5. Seek opinions from others. Ask for advice from other managers or the organization's legal counsel. They may see consequences you have not considered.
6. Do what you truly believe is right. You have a conscience, and you are responsible for your behavior. Be true to your own internal ethical standards. Ask yourself, "Can I live with what I've done?"

As the certified third-party representative, the union acts on behalf of its members to secure wages, hours, and other terms and conditions of employment. For most unionized businesses, union interaction is the responsibility of HRM.

In the United States, unions and their role in representing employees are changing. Membership growth is in the public and service sectors, not in manufacturing. At the same time, some states have taken steps to limit the power of public employee unions in an effort to reduce the cost of labor for city, county, and state governments. Because of the complexities involved in operating with unionization and the special laws that pertain to it, we will defer that discussion until Chapter 14, when we will explore the unique world of labor relations and collective bargaining.

Ethics

ethics
A set of rules or principles that define right and wrong conduct.

Ethics commonly refers to a set of rules or principles that define right and wrong conduct. Most of us recognize that something illegal is also unethical, but many actions may be unethical but do not violate any existing laws. Examples include the bonuses received by Veterans Administration officials although records indicating that veterans experienced long wait times before receiving care were falsified or the slow response of General Motors to defective ignition switches indicate that organizations often do a bad job of regulating their own behavior. Corporate scandals have created a lack of trust of management. People are questioning how such unethical actions could have gone unnoticed if proper controls were in place in the organization. Customers and investors are questioning whether unethical cultures are pervasive in these organizations.[51]

Sarbanes–Oxley Act
Established procedures for public companies regarding how they handle and report their finances.

In the wake of ethical failures that had a huge economic impact on employees and investors alike, the **Sarbanes–Oxley Act** (SOX) was signed into law in July 2002. Sarbanes–Oxley established procedures for public companies regarding how they handle and report their financial picture. The legislation also established penalties for noncompliance. For example, SOX requires the following[52]:

- Top management (the CEO [chief executive officer] and CFO [chief financial officer]) must personally certify the organization's financial reports.
- The organization must have procedures and guidelines for audit committees in place.

- CEOs and CFOs must reimburse the organization for bonuses and stock options when required by restatement of corporate profits.
- Personal loans or lines of credit for executives are now prohibited.

The noncompliance penalty of SOX is catching executives' attention. Failure to comply with the stipulated requirements—such as falsely stating corporate financials—can result in the executive being fined up to $1 million and imprisoned for up to 10 years.[53] Moreover, if the executive's action is determined to be willful, both the fine and the jail time can be doubled. What does any of this have to do with HRM?

Although Sarbanes–Oxley does not specifically identify HRM activities in the law, it does address items generally under HRM responsibility. For example, the act provides protection for employees who report executive wrongdoing (whistle-blowing). In 2011, Bank of America was found by the U.S. DOL to be in violation of the whistle-blower provisions of SOX because they retaliated against an employee who worked for Countrywide Financial Corp. before they merged with Bank of America. The employee was fired after presenting evidence of fraud involving Countrywide employees. The employee's whistle-blowing activity was protected and Bank of America was ordered to reinstate the employee and pay over $900,000 in back wages, interest, compensatory damages, and attorney fees.[54]

HRM must create an environment where employees feel free to come forward with their allegations without fear of reprisal from the employer. This critical employee relations concept is not limited solely to whistle-blowing under SOX, but the act does require that companies have mechanisms in place where the complaint can be received and investigated.

codes of ethics
States an organizations's primary values and the ethical rules it expects members to follow.

Clearly defined **codes of ethics** are a tool for reducing or eliminating ambiguity about what acts are considered ethical within the culture of the organization and what is not.[55] A code of ethics is a formal document that states an organization's primary values and the ethical rules it expects managers and employees to follow. Ideally, these codes should be specific enough to guide organizational personnel in what they are supposed to do, yet loose enough to allow for freedom of judgment. Ethics training for all employees is an important way HRM can make sure the culture reinforces ethical behavior. Although SOX may not yet have drastically changed employee behavior, most agree that a company with a pervasive culture of ethical behavior will benefit. Companies that have strong ethical cultures with ethical education programs see a 75 percent decrease in all unethical behavior.[56]

In isolation, ethics codes are unlikely to be much more than window dressing; GM had a code of ethics before and after the bankruptcy and ignition switch problems were exposed. The effectiveness of ethics codes depends heavily on whether management supports them and ingrains them into the corporate culture, and on how individuals who break the codes are treated. If all managers, including those in HRM, consider ethics codes to be important, regularly reaffirm their content, follow the rules themselves, and publicly reprimand rule breakers, then such codes can supply a strong foundation for an effective corporate ethics program.

sustainability
Living, doing business, and employing individuals in a responsible and ethical way.

Sustainability

Finding ways of living, doing business, and employing individuals in a responsible and ethical way is at the core of **sustainability**. It includes ethical behavior already discussed, and also includes recognizing the impact of business decisions on the community, economy, and natural environment. Research shows that organizations that pursue sustainability as a strategic goal benefit from improved employee loyalty and morale, more efficient business processes, improved public image, and improved brand recognition.[57]

HRM has responsibility for many activities involved in putting a sustainability agenda to work. Developing volunteer opportunities and recognizing participation, educating employees and executives about sustainable practices such as energy conservation, recycling efforts, community outreach and education, using sustainable production resources, and maintaining ethical business practices are just a few of the sustainability practices that may be encouraged by HRM. Within the HRM department, sustainability practices include providing a safe workplace, employment, and compensation practices that are free of discrimination, respect for diversity in all forms, providing employee development and encouraging employees to reach their potential in the organization and the community. Throughout this text, we will highlight sustainability practices by many organizations such as Patagonia and Walmart, but sustainability ultimately starts with individual decisions and actions. Each chapter includes service learning activities in the HRM Workshop in the back of the book. These activities are designed to help you develop and demonstrate HRM skills and participate in community sustainability activities while increasing your employability by adding to your resume.

ETHICAL ISSUES IN HRM

Everyday Ethics

The majority of unethical acts in the workplace don't make headlines. Many are like these situations that arise when managers don't understand or ignore ethical HR policies:

- My boss refuses to create job descriptions so she can hire her friends and relatives that aren't qualified for the job.
- Our HR director always checks the Facebook accounts of people who apply online so he won't interview any old or unattractive salespeople.
- The Sales Manager at my dealership is a big gossip and shares information about coworkers' sales statistics and commissions behind their backs.
- The Art Director told his intern to paint his new condo instead of coming to work on Friday. The intern needs the money but is afraid to ask if he can put the hours on his time sheet.
- My district manager fired my manager in a text that said if she wasn't out of the store in 30 minutes he was calling the police. An assistant manager got a text: "come to work to get the manager's keys and close the store."
- The owner never disciplines anyone. One employee received 19 warnings in 1 year and was never fired. Everyone is turning into slackers and I want to quit.
- Instead of firing people who screw up, my manager just schedules them for 4 hours a week and hopes they quit.
- I was disciplined in front of customers and other employees. It happens all the time and humiliated employees often shout, swear, and quit on the spot.

Ethical questions:
What examples of unethical behavior have you experienced in the workplace? Is it possible to eliminate unethical behavior by management? What steps can HRM take to eliminate or reduce unethical behavior similar to these situations?

Summary

(This summary relates to the Learning Outcomes identified on page 2.) After having read this chapter, you should be able to:

1. **Discuss how globalization affects HRM practices.** Globalization is creating a situation where multinational and transnational corporations seek markets and resources regardless of national borders. HRM professionals must seek employees with knowledge, skills, and cultural adaptability.
2. **Describe how human resource managers use technology.** Human resource managers use technology for staffing, training and development, monitoring employees, providing equitable compensation policies, and improved communication among other uses. Technological changes also require HRM to examine issues such as telecommuting and employee privacy.
3. **Explain regulation and legislation issues relevant to HRM.** Compliance with state and federal employment is an HRM responsibility. Equal employment, employee rights, compensation, benefits, unions, and employee safety are concerns.
4. **Identify trends in the composition of the workforce and how HRM must adapt.** The workplace is becoming more diverse as a number of women, minority, and immigrant groups grow in the United States and globally. It's also getting older because people are staying in the workforce beyond traditional retirement ages. HR must avoid many forms of discrimination and recognize different employee such as ways to create work–life balance. Many companies establish workforce diversity programs to hire, promote, and retain minority groups.
5. **Explain how HRM supports diversity and inclusion in the workplace.** Laws and culture have also expanded the definition and protection of diversity. Many organizations choose to create a culture of inclusion that allows everyone, regardless of personal characteristics, to feel that they are valued, respected, and have equal access to all organizational opportunities. Supporting work–life

balance programs helps diverse employee groups to balance career and personal responsibilities.

6. **Explain the contingent workforce and other methods used to control labor costs.** Contingent workers include part-time, temporary, and contract workers used by organizations to fill peak staffing needs or perform work not done by core employees. Legal issues arise when employers misclassify employees as contractors in order to avoid paying state and federal taxes, paying overtime, and providing required benefits. Other methods include downsizing, outsourcing, and offshoring.
7. **Explain how HRM supports continuous improvement programs.** Quality improvements have become strategic initiatives in the organization in order to maintain competitive advantage. HRM is instrumental in quality initiatives by preparing employees to deal with the change and training them in new techniques.
8. **Identify ways that HRM facilitates employee involvement.** Employee involvement can be best defined as giving each worker more control over his or her job. To do this requires delegation, participative management, developing work teams, goal setting, and employee training. If handled properly, involving employees should lead to developing more productive employees who are more loyal and committed to the organization.
9. **Outline emerging challenges facing HRM.** Local and global economies, sustainability, mergers, labor unions, ethical concerns, and sustainability are among the emerging challenges facing HRM.

Key Terms

acquisition
baby boom generation
code of ethics
contingent workforce
continuous improvement
core employees
culture
downsizing
ethics
globalization
human resource information systems (HRIS)
inclusion
information technology (IT)
information systems (IS)
kaizen
knowledge workers
labor union
legal compliance
merger
multinational corporations (MNCs)
offshoring
outsourcing
quality management
reshoring
rightsizing
Sarbanes–Oxley Act
software as a service (SaaS)
transnational corporation
work process engineering
workforce diversity

HRM Workshop

Reviewing Important Concepts

1. How have globalization and changes in workforce composition contributed to the need to understand diversity and inclusion in our organizations? (LO 1, 4, 5)
2. Describe ways HRM uses HRIS to provide information and services more efficiently. (LO 2)
3. Explain the legal issues relevant to the workplace and HRM. (LO 3)
4. Explain the roles HRM plays in dealing with current employment challenges such as mergers, offshoring, the economy, and ethical issues. (LO 9)
5. What is the purpose of a continuous improvement program? What role does HRM play in assisting continuing improvements? (LO 7)
6. What are the necessary ingredients for a successful empowerment program? (LO 8)
7. Explain what ethics are and how organizations and HRM can promote ethical behavior. (LO 9)

Evaluating Alternatives

8. "Diversity and inclusion is nothing new. Thousands of immigrants came to the United States in the early 1900s and they integrated into the workplace just fine. Pay them a fair wage and treat them equally. That's all workers want." Evaluate this philosophy of managing workplace diversity and explain your personal opinion on the best way to manage workforce diversity and inclusion. (LO 1, 4, 5, 9)

9. Juliet is the owner of a design firm that survived the recession, but just barely. Her firm has grown 25 percent each of the last 2 years, but she is wary of hiring any full-time employees. "Firing half of my staff was the most stressful thing I've ever done" she explained. "I'll just keep hiring contract designers. There's a lot of good talent out there with fresh ideas and they don't have any expectation of a permanent job." Evaluate Juliet's point of view and explain the advantages and disadvantages of using contingent workers instead of full-time core employees. Explain what you think she should do. (LO 6)

Research and Communication Skills

10. Visit an HRM department of a local organization or visit their website. Research the organization in terms of its human resource activities. For example: What do they do to recruit new workers? What initiatives do they take to train, develop, and motivate current workers? Do they utilize contingent workers? Explore how their human resource department uses technology, including their website. Give a 5- to 10-minute presentation of your findings to your class using three to five presentation slides. (LO 2, 6)

11. Research the effect of technology on the human resource aspects of a technology-based business (e.g., Barnes and Noble, Verizon, Facebook, Apple, or Netflix). Determine how the business has changed HRM practices to incorporate technology, and the benefits they have experienced or expect to see in the future. Present your findings in either a three- to five-page paper, or a three- to five-slide presentation to your class. (LO 2)

12. Search the Internet for short videos on workplace diversity from two different employers. Present the two to your class along with an explanation of the main points and any differences you notice in their policies and beliefs. (LO 5)

Making a Difference SERVICE LEARNING PROJECTS

Can an HR class assignment actually help you get a better job when you graduate? Certainly! Combine a community service project with an HR-related activity. It's called Service Learning.

Service learning projects put concepts from your textbook to use in your community. As you complete your service learning projects, you add community service and leadership activities to your résumé, giving you an advantage over other applicants for that first job. Service learning activities also allow you to build your professional network with important contacts to help you in your job search.

Consider viewing community service activities from the perspective of HR professionals. When accepting and screening résumés they look for motivated and enthusiastic applicants with proven organizational and leadership skills. One way to show that you possess these important traits is to add a strong service component to your résumé. All other things being equal, students with a strong background in service and volunteerism will have an advantage over other applicants. Résumés with community service indicate to the employer that the applicant is a team player, shows an interest in others, and is developing organization and leadership skills. Many organizations that have community involvement as a core value are looking to add new employees who share the same values. After you get that first job, leadership in community programs and projects is often a prerequisite to getting a promotion to further your career.

The HRM Workshop in each chapter of this text includes suggested activities that apply HR functions or concepts either directly or indirectly. Some are designed to build your teamwork, leadership, and organizational skills. Others are designed to provide a deeper understanding of how an HR concept applies in practice, give an appreciation of an unfamiliar circumstance, or a fresh perspective.

Like most college students, your time is precious. You may be tempted to undertake easy activities that require a minimal time commitment with organizations with which you're already familiar. You're going to get as much out of those activities as you put into them. They probably won't look as good on your résumé as those that allow you to stretch yourself by meeting new people and learning new skills. Maybe you were involved in service projects in the past, but during your college years you've been busy and haven't been as active. Remember that recent and continued experience looks better on a professional résumé than do one-time projects that were completed back in your high school years.

Who benefits from service learning activities? You, of course. You can build an impressive résumé with skills that your dream employer is looking for. Broaden your professional network with contacts that can help you in your job search and provide great references. Learn how HR concepts apply in the real world. Make a difference by helping your community and the world, and see how rewarding volunteering can be.

ARE YOU CONVINCED YET? GOOD. HERE ARE SOME SUGGESTED ACTIVITIES FOR CHAPTER 1:

Most colleges work with the same dynamic environmental challenges that affect businesses, including laws, regulations, economy, downsizing, diversity, and technology. This gives you opportunities right on your campus to help the college and students to deal with important issues.

- Contact your college office for students with disabilities, international students, veterans, or other groups that may need assistance with their transition to college. Inquire about ways you may be able to volunteer. They may need help with communicating their services, assisting students with buying books and supplies, or getting around campus. You probably have a few ideas of your own.
- If you're good with technology, consider asking the college Information Technology department if you can assist them in helping students and faculty with technology issues.
- Take a look at other activities in other chapters that may need time to plan and organize.

As you put your service learning experience together, keep a journal of your activities, the time you spend, contact information for people you work with, and your thoughts about the process. When you're finished, make a presentation to your class about the experience, highlighting what you learned. What concepts from Chapter 1 were you able to apply?

Case Application 1-A GROWER'S CHOICE

Four weeks into his internship at Grower's Choice, a growing regional food store chain, Chase was encouraged when the HR director told him that he would be needed to make some changes in the process for requesting and recording time off. He e-mailed his professor that maybe his boring internship was finally going to get interesting. It was, but not in ways he would have predicted.

Grower's Choice started 40 years ago as a produce market and has grown into a chain of 20 small supermarkets. Throughout their growth, they maintained an emphasis on high-quality fresh produce and a family atmosphere. Their management, headquarters, distribution center, and full-time store employees were mostly long-term employees with an average of 20 years with the company. A large number of young part-time employees were hired to keep the stores running. When Chase arrived to begin his internship, he was surprised to learn that the HR department processed payroll, hired, and trained employees and little else. In his first month, he had learned to check references, add new employees into the computer for payroll processing, and check time sheets against the schedules for accuracy. Although computers were used for payroll, much of the data had to be entered manually from paper time sheets. There were paper forms for applications and time-off requests. E-mail was limited to employees at headquarters and four or five full-time staff in each store. The company had grown in number of employees, stores, and sales, but HR seemed to be stuck in the 1980s.

The next day, Chase asked Alonzo, the HR Director, if the changes in the time-off requests included using online scheduling software. He laughed and explained, "It isn't anything that complicated. Since you're pretty good with computers, we would like you to rewrite the form so it has room for a whole month instead of 2 weeks." Chase went on to explain that there were several software vendors that could streamline the process. Alonzo replied, "Maybe someday, but we have a lot of older managers who don't handle change well" before returning to his office.

A few hours later, Alonzo could be heard shouting "No Way! No Way!" into his phone before running out of his office toward the office of the CFO. When he returned, he appeared shocked and shaken. He explained that he had just learned that a manager who had been with the organization for over 25 years had just been fired for falsifying time sheets for 5 years. "Apparently, the part-time bookkeeper was in a serious accident 6 years ago. She wasn't able to drive after the accident and asked to work from home. The payroll information she processed couldn't leave the store, so we couldn't accommodate the request. We were told that she found a way to get to work and that was the end of it. Turns out, the store manager took the documents to her home for her to complete the payroll just like she was going to work every day. He picked up computer disks from her when she was done and sent them to us like she was in the store the whole time. We've been paying her for 5 years and she hasn't shown up for work once. Incredible!" When Chase asked what happens next, Alonzo shook his head and said "I don't know. The CFO wants to have them both arrested for fraud. How could this happen?"

Chase echoed Alonzo. "Yup. It's incredible," but silently congratulated the store manager for getting around HR's inability to change with the times.

Questions:

1. In what ways could HRIS software make the HR department more efficient at Grower's Choice? How could HRIS have made a difference in the situation with the disabled bookkeeper and the time sheets? (LO 2)
2. Explain the legal and ethical issues involved in the case. (LO 3, 9)
3. How can Grower's Choice improve their views of diversity and work–life balance? (LO 5)
4. **Research**: Examine the Careers section of two to three supermarket chains in your area. What evidence do you find of HR use of technology?

Case Application 1-B A WAR FOR TALENT

The U.S. Navy may not be the first employer that comes to mind when you think of employers that are making efforts to help employees with work–life balance issues. However, the Navy has made improvements to maternity benefits, parental leave, and flexible work options with the goal of increasing retention and recruitment. Realizing that they are in competition for the most talented women and men in Generation Y, the Navy must be seen as competitive with the private sector on the issues that Generation Y values: flexibility and family over career and employer. In fact, Vice Admiral Mark Ferguson, Chief of Naval Personnel and Deputy Chief of Naval Operations, was recently quoted as saying, "The leadership at the very top of the Navy realizes that we are in a war for talent. We recruit a sailor, but we retain a family."[58]

You may be surprised to learn that the U.S. Navy has nearly all of the same HR functions and challenges that employers in the private sector face, although many of them are magnified greatly due to the size and responsibilities of the Navy. For starters, consider a recruiting goal that would challenge any HR department—the Navy's recruiting goal averages 37,000[59] new people annually with a total workforce of approximately 325,000 active duty and 200,000 civilian employees[60] Next, train those employees/sailors for hundreds of specialized positions, help them achieve education goals, and manage their careers for the next 4–6 years. Finally, encourage them to serve beyond their initial commitment or to transition to reserve status or a civilian position within the Navy. Other traditional HR functions must be maintained including performance appraisal, compensation, discipline, dismissal, and retirement.

Beyond HR functions, the Navy faces many of the same challenges that private sector employers face. In recent years, the Navy has experienced extremely high retention rates, creating a surplus of employees in several areas. Another similarity with private industry is that the Navy is experiencing a shortage of qualified sailors in several areas, including cryptology, food service, maintenance, electronics, information systems, machinist, and fire control. At the same time, there is a surplus of personnel in many other positions.[61] Many are offered the opportunity to retrain for another position, but many more may face "involuntary separation," which amounts to being fired.

The Navy generally gets good marks for diversity awareness with a strong diversity mission statement called "The Mission of the Navy Diversity Directorate,"[62] and the establishment of "Affinity Groups" that allow minority and special interest groups to share concerns. The Navy's diversity mission also maintains a presence on Facebook and Twitter, outlining diversity initiatives and opportunities. Recently the Rand National Defense Institute announced a study that has found a reduction in the percentage of young black people enlisting in the Navy and an increase in the percentage of Hispanic recruits, further changing the diversity of the navy workforce.[63] Possibly the largest challenge in recent years has been the repeal of Don't Ask, Don't Tell, a policy that allowed homosexual members of the military to continue to serve as long as they were not openly homosexual. This change in policy has been approached with caution by the Navy and other branches of the military.

Questions:

1. Contrast the differences and similarities of the challenges of managing the human resources in the Navy from private sector employers. (LO 4, 5, 6, 9)
2. How do the economic, technological, and cultural environments affect HRM in the Navy and other branches of the armed forces? (LO 1, 2)
3. What role does work–life balance play in recruiting and retention? (LO 9)
4. **Research:** How well have the Navy's recruiting and diversity initiatives worked? Explore the Navy's recruiting and diversity websites as well as news and current events for evidence of successes and failures in their efforts to manage diversity and hire and retain people with critical skills. (LO 5)

Michael Zagaris/Oakland Athletics/Getty Images. Inc.

Functions and Strategy

2

No doubt about it, Billy Beane transformed baseball with a shift in strategy. It started in the 1990s when he was Assistant General Manager of the Oakland Athletics. The team was losing and there was very little money available for good players that could turn around the team's losing streak. Although baseball is a sport that thrives on statistics, Beane found that most of the stats used to scout players were out of date. Players with attractive statistics for stolen bases, runs batted in (RBIs), and batting average were considered more valuable and commanded salaries he couldn't afford. He found that statistics such as on-base percentage were better indicators of success. He began to fill the roster with these undervalued players, assembling a competitive team with combined salaries that totaled less than 25 percent of the salaries paid by the New York Yankees, yet won the same number of games.

Beane's goal for the Oakland A's was to win the World Series. He had limited financial resources for salaries, so he analyzed data to understand the strengths and weaknesses of people and used that knowledge to lower labor costs and increase productivity. That's what strategic human resource management does. Understand the organizational goal, determine what jobs must be done, what traits make the best employees, and what to measure to determine effectiveness. Does this sound similar to the control function you've studied in management classes? Good for you. Strategic planning and control measures go hand in hand in creating an effective team.[1]

Looking Ahead

Are there statistics that can help Human Resource Management (HRM) determine what to look for in a successful employee such as a baseball player? How can HRM measure effectiveness of hiring and other HR practices?

LEARNING OUTCOMES

After reading this chapter, you will be able to:

1. Identify advances in management leading to modern human resource management practices.
2. Describe the functions of management.
3. Explain how HRM aligns human resource management processes and practices with organizational strategy.
4. Outline the components and the goals of the staffing, training and development, motivation and maintenance functions of human resource management.
5. Explain the structure of a typical human resource management department.
6. Discuss talent management and how it benefits organizations.
7. Outline current trends and opportunities in human resource management.
8. Explain how human resource management practices differ in international settings.

Introduction

HR is a subset of management. It's the part of management that works with people to get things done. No matter how large or small the organization is, if there is even one employee, HR plays an important role. In this chapter, we'll learn the role of HR in management, the functions HR performs, and how HR empowers people to accomplish the objectives of the organization.

Evolution of Management

Thank your lucky stars you weren't born 100 years earlier. Prior to the twentieth century, management wasn't much of a science and employees had very few rights. The workplace was a harsh place to be and the few employment laws that existed were largely ignored. Child labor was plentiful; long hours, 6-day-work weeks and low wages were expected; workplace injuries were commonplace; and discrimination was the norm. Unions were not legal.

> "Great vision without great people is irrelevant." Jim Collins, author *Good to Great.*

In the early 1900s, public opinion began to change when people were horrified by the inhumane working conditions in the meat packing industry as described by Upton Sinclair in *The Jungle*. Difficult working conditions in the garment industry were exposed when the upper floors of the Triangle Shirtwaist Factory in Manhattan caught fire in 1911. A total of 146 young women and children were killed because management had locked exit doors in order to prevent theft. Fire escapes collapsed and young women fell to their death in the streets below while attempting to flee the flames.

Working conditions improved slowly in the early twentieth century as laws were enacted to support workers' rights and management science evolved. Let's take a look at four of the early management theorists that developed some of the foundations of HRM: Frederick Taylor, Hugo Munsterberg, Mary Parker Follett, and Elton Mayo.

scientific management
A set of principles designed to enhance worker productivity.

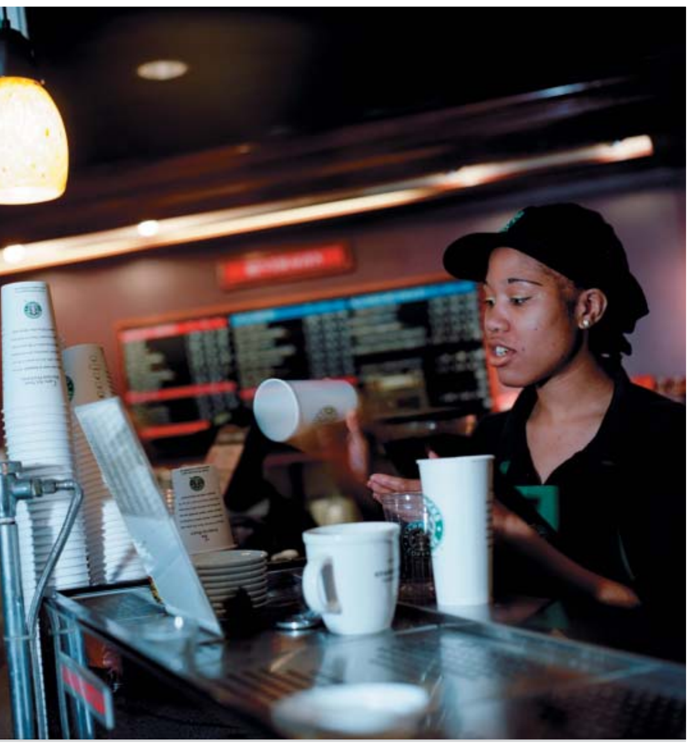
Frederick Taylor, often regarded as the father of **scientific management**, published *The Principles of Scientific Management* in 1911 introducing a set of principles to enhance worker productivity. By systematically studying each job and detailing methods to attain higher productivity levels, Taylor's work offered the first sense of today's human resource practices. For instance, Taylor advocated that workers needed appropriate job training and should be screened according to their ability to do the job (a forerunner of skill-based hiring). Technology has expanded applications of scientific management by providing new ways to track the productivity of workers, for example, by using GPS technology to track the routes of delivery drivers, tracking the number of patients visited each day by doctors, or tracking the billable hours recorded by lawyers.[3]

Hugo Munsterberg and his associates recognized that if employers matched the personalities and abilities of workers to jobs that best suited those traits, they would be more motivated and efficient. He also suggested improved methods of employment testing, training, performance evaluations, and job efficiency.

Mary Parker Follett, a social philosopher, advocated people-oriented organizations. Her writings focused on groups, as opposed to individuals, in the organization. Follett's beliefs helped create today's workplace emphasis on teamwork and group cohesiveness. She believed that organizations were communities that should be a cooperative effort between managers and workers. She was also an early advocate of employee ownership as a way of creating a feeling of responsibility.

One of the greatest advances toward modern human resource management practices came when a group of researchers studied young women working at the Western Electric Hawthorne Plant just outside of Chicago to determine if better lighting helped them to manufacture telephone relays more quickly. The **Hawthorne Studies** began in 1924, but the results were confusing. Increased productivity seemed to have little relationship to the increase in lighting. Elton Mayo of Harvard University was called in to make sense of the results. Mayo suspected that productivity was influenced by the relationship of the work group and the style of supervision more than by the working conditions. Extensive interviews with the workers at the Hawthorne plant proved that informal work groups had a significant effect on worker performance. Results of the Hawthorne studies led managers to recognize the benefit of work groups and examine how workers were supervised.

Later, Frederick Herzberg and Abraham Maslow introduced employee motivation theories and W. Edwards Deming introduced continuous improvement programs to enhance productivity. Writers such as Tom Peters and Peter Drucker have emphasized giving employees a say in what affects their work, teams, and work process engineering. Today's HRM practices incorporate many findings from these important management researchers and scientists.



Marc Asnin/Redux Picture

Starbucks made a strategic decision to provide health insurance to all staff, even part-time employees, and recently added college tuition assistance to their benefits package. Starbucks boasts an annual employee turnover rate of 45 percent compared with over 100 percent annual turnover in the industry. What does Starbucks gain from lower employee turnover? Do those gains justify the cost of the benefits?[2]

Functions of Management

management
The process of efficiently completing activities with and through people.

Hawthorne studies
A series of studies that provided new insights into group behavior and motivation.

Management is the process of efficiently achieving the objectives of the organization with and through people. The major responsibilities of managers are grouped into four major functions. These management functions have roots in the work of Henri Fayol, who published *Administration Industrielle et Généralé* in 1916. Fayol's five rules of management (foresight, organization, command, coordination, and control) have been combined to create the four functions commonly recognized today. These four simple functions to summarize the responsibilities of effective management. They include the following:

Planning

planning
A management function focusing on setting organizational goals and objectives.

Planning involves establishing the organizational objectives and deciding what actions need to be taken to achieve them. Many organizations state their objectives in the form of a mission statement and use it as a foundation for all planning. Strategic planning is part of the planning function.

Organizing

Determining what activities need to be completed to accomplish those goals is the main focus of the **Organizing** function. Activities need to be organized into work groups and jobs must be developed within those work groups. Managers must acquire and implement equipment, financial resources, technology, inventory, and services necessary to support workers so they can do their jobs well and support organizational objectives.

Leading

The **Leading** function is responsible for inspiring effort and establishing a culture of support and productivity. Leaders ensure that the right people with appropriate skills are on the job and motivate them to levels of high productivity. There are many theories of leadership. Most agree that the correct leadership style in any situation depends on the leader's personality, organizational culture, the jobs being done, and the abilities of the workers.

SUPERSTOCK

What effect does the informal work group have on these workers' productivity? According to the Hawthorne studies, a significant amount. In fact, this classic research, which paved the way for the human relations movement, showed management that group standards and employee sentiments were the most important determinants of employee productivity—even more so than pay!

Controlling

Monitoring activities to ensure that goals are met is the focus of the control function. Some goals such as profitability or productivity are easy to define and measure. Others such as employee engagement require a little more skill. **Controlling** involves determining what to measure, monitoring performance, and comparing results to goals. If performance falls short of goals, processes are examined to determine how to improve.

Every level of management from the supervisor to CEO has responsibility for understanding how the four management functions apply to his or her job. The emphasis and responsibilities will differ depending upon the position. For example, a CEO will spend a larger percent of time on the planning and leading functions and supervisors may spend more time on the organizing and controlling functions.

Where does HRM fit in here? In this chapter, we examine the role of HR in strategic planning, organizing HR activities to support strategic goals, leading through establishing an organizational culture that reinforces behaviors that support goals and measuring results with the use of HR metrics.

In summary, all managers work with and through people, allocating resources in an effort to achieve goals. They perform their tasks through four critical activities—planning, organizing, leading, and controlling.[4]

organizing
A management function that deals with determining what jobs are to be done and by whom, where decisions are to be made, and how to group employees.

leading
A management function concerned with directing the work of others.

The Role of HR in the Strategic Management Process

The planning function of management is focused on the future. Determining goals and developing plans for action are important because the complex external environment changes constantly and competitors react quickly. The ability to think strategically means anticipating environmental changes and the actions of competitors, much like a race car driver and team study the weather, track, and competition in order to increase the odds of winning the race. Racing teams plan for the best utilization of equipment and fuel before and during the race and skilled professionals are selected and trained for the crew, all with the goal of creating a **competitive advantage** that the competitors cannot imitate.

controlling
A management function concerned with monitoring activities to ensure that goals are met.

competitive advantage
Something unique to the organization that competitors can't imitate.

Bob Leverone/NASCAR via Getty Images, Inc.

The success of Hendrick Motor Sports NASCAR team may be related to their short mission statement "Teamwork is the fuel that allows common people to produce uncommon results."[5]

HR activities support organizational strategy through human capital–related areas such as building, developing, and maintaining a productive and talented workforce that has the skills necessary to accomplish organizational goals.[6] Research has shown that companies that link strategy with human resources show increased profitability and shareholder value. Not only that, but the higher the emphasis on practices that value human capital, the more profitable they seem to be. Superior HR practices, including hiring the right people to support company strategy, seem to support productivity and profitability.[7]

How does HRM get involved in the strategic management process? Just like a racing team, skilled professionals need to be in place to create a competitive advantage and win the race. A typical HR department has responsibility for three major areas:

- **Transactional** work that involves payroll, and administers employee benefits such as insurance and retirement plans. Many transactional tasks can be automated.
- **Tactical** work that involves developing solutions that benefit employee work groups, such as resolving employee performance issues or work-group conflicts.
- **Strategic** work that benefits the entire organization by aligning hiring, training, compensation, and benefits to support long-term goals.

As part of the strategic HR responsibility, HR assists decision makers in evaluating where the organization currently stands, deciding where the organization wants to be in the future, developing a plan to achieve those goals, implementing the plan, and checking progress toward those goals. With a specific goal and a clear plan, the organization and the HR department can make better decisions regarding how to focus efforts on achieving the goal on a daily basis, resulting in less wasted efforts and resources.

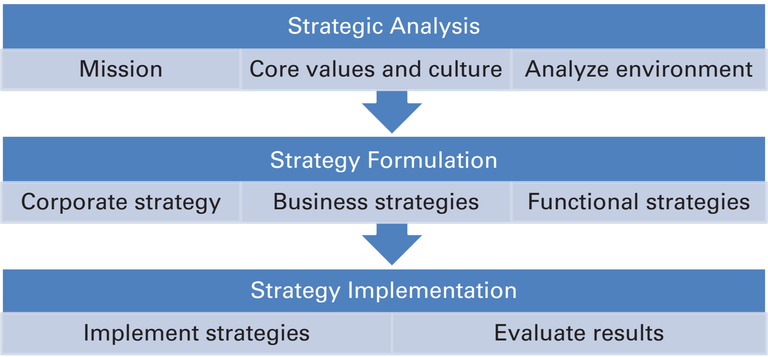
Strategic management seeks to establish long-term goals and direction for organizations. The **strategic management process** analyzes the environment, creates strategies necessary to accomplish the goals, and puts those strategies into action. The role of HR in this process is to determine the best way to align the people in the organization so they are best able to assist the organization to achieve those goals.[8] We will revisit many of these concepts in Chapter 5 as they relate to employment planning.

strategic management
Establishes long-term goals and provides direction for an organization.

strategic management process
Analyzes the environment and creates strategies to achieve organizational goals.

Exhibit 2-1
Strategic Management Process

Setting goals and determining the best way to accomplish them is at the heart of the strategic management process.



Strategic Analysis

Southwest Airlines may have begun as scribbles on a cocktail napkin in a bar, but from the beginning, the mission was clear: create a low-fare airline with a simple structure. As Southwest has grown, their strategy has faced significant environmental challenges, yet their original mission remains intact. Strategic analysis starts with a mission and goes on to establish core values and culture and analyze the external environment.

Mission Strategy is driven by the organizational **mission,** which describes the reason it exists and what it is trying to accomplish. It forms the basis for the organization's strategic goals for the future, planning, structure, and decisions about how goals will be met. Mission statements communicate that purpose to customers, the community, investors, employees, and suppliers. The **mission statement** is important because it's the foundation on which every decision in the organization should be made.

mission
Reason an organization exists.

mission statement
Brief statement explaining an organization's purpose.

Google's mission statement: "Organize the world's information and make it universally accessible and useful" clarifies exactly what the company is about for all organizational members. A few years ago, it would have seemed that producing entertainment programming and the devices on which to view it would be inconsistent with Google's mission, yet that's exactly what Google is working to develop. Technology and the way we use it has made it necessary for Google to change in order to fulfill its mission. Even though we assume that the world will change, the need to specifically define an organization's line of business is critical to its survival.

Core Values and Culture Have you ever sworn that you would never return to an establishment after you encountered a rude salesperson or customer service representative that was distracted, uninformed, and uncaring? If you were look up the mission statement and core values of that same organization, you would probably find that they include words like "customer focused" and "service oriented." So what happened? Where was the failure?

Core values are the beliefs of the organization about acceptable behavior. Culture is the way organizational members demonstrate core values on a daily basis by the way they treat each other and the public. It includes the ways acceptable and unacceptable behavior are handled, how rewards and discipline are used, work ethic, dress, speech, humor, punctuality, and respect. Core values and culture are the personality of the organization. They are based on the mission statement and are usually communicated to employees during the hiring and training process. The problem arises when employees do not see them practiced in the workplace on a daily basis and begin to feel that they are not important. HR holds the responsibility to not only communicate the core values but to create a culture that is demonstrated on every level of the organization. Values and culture need to be obvious in the way employees and managers treat each other and interact with customers and the community.

Analyze the Environment The starting point of any strategy is an objective analysis of the current situation. Using this class as an example, what is the current situation for you? How are your study skills? Are you pretty diligent about taking notes in class and reading the textbook? Could your attendance use improvement? Is HR a subject you're really interested in? How well do you know the course policies and expectations? Is the teacher well qualified? How will you be evaluated? How tough are the assignments and tests? Will you be required to do group projects? If so, are there any classmates who would make strong partners? These questions might be asked if we were using a common environmental analysis tool called a **SWOT analysis** (strengths, weaknesses, opportunities, and threats). It includes an internal analysis of the internal strengths and weaknesses of an organization and the external opportunities and threats. A thorough SWOT analysis exposes potential problems within an organization such as what skills, knowledge, and abilities are available internally and where shortages in terms of people skills or equipment may exist.

SWOT analysis
A process for determining an organization's strengths, weaknesses, opportunities, and threats.

Environmental analysis forces management to recognize that every organization, no matter how large and powerful, is constrained in some way by the resources and skills it has available. For example, although Walmart seems large enough to provide nearly any product or service, they are pretty unlikely to produce or sell cars any time soon. Their expertise and strength is in efficiently providing smaller consumer goods at a low cost. Cars would require different distribution channels and considerable investment in product development. Their business model is much better suited to providing automotive service, not the actual car itself.

The SWOT analysis should lead to a clear assessment of the organization's internal resources—such as capital, worker skills, and patented technology. It should also evaluate organizational departmental abilities, such as training and development, marketing, accounting, human resources, research and development, and management information systems. An organization's best attributes and abilities are called its strengths. And any of those strengths that represent unique skills or resources that can determine the organization's competitive edge forms its **core competency**. On the other hand, if a firm lacks resources in a certain area or if there are some activities it performs poorly, these are considered weaknesses.

core competency
Organizational strengths that represent unique skills or resources.

After examining the internal strengths and weaknesses, it's time for the organization to look outward at the opportunities and threats in the external environment. Opportunities are factors outside the organization that can be exploited including emerging technologies, surplus of qualified applicants, weak competitors, and a strong economy. Threats in the external environment present challenges if not handled well, including a weak economy, government regulation, changes in employment laws, and new competitors.

Exhibit 2-2
Costco Mission Statement

Customers, employees, suppliers, owners, quality, prices, and ethics are all addressed in Costco's short mission statement.

Our Mission

To continually provide our members with quality goods and services at the lowest possible prices.

In order to achieve our mission, we will conduct our business with the following Code of Ethics in mind:

Our Code of Ethics

1. Obey the law.
2. Take care of our members.
3. Take care of our employees.
4. Respect our suppliers.

If we do these four things throughout our organization, then we will achieve our ultimate goal, which is to:

5. Reward our shareholders.[9]

Source: Costco.com

Strategy Formulation

Each level of the organization must develop a strategy that supports the mission and strategic goals. The CEO and other top executives develop corporate level strategy. If there are different business units, they must each create strategies that support the overall corporate strategy. Functional areas such as finance, marketing, production, and HR also find a way to support the overall strategy and goals.

Corporate Level Strategy Corporate strategy is the "big picture" for the organization. Some organizations that have relatively stable environments such as a college may be able to stick with a strategy for many years. Others may find their environments changing in increasingly dramatic ways such as airlines or the auto industry, necessitating frequent strategic changes. Two major directions for strategy include growth or restructuring. Both present challenges for HRM.

Growth strategies focus on increasing the size of the organization. Organizations grow by expanding operations in the same general type of business. This strategy, called concentration, requires HR to find increasing numbers of new employees necessary to support growth. This can be difficult if the skills needed are scarce such as computer software engineers, or if the pay is low such as fast-food workers. Diversification involves growth in an unrelated industry. This can be done by branching out into a business in a similar industry (related diversification) or a completely different industry (unrelated diversification). This can be done by starting a new operation or by buying or merging with another organization. Mergers require HRM to find ways to combine organizational cultures, move some staff, and possibly reduce staff in areas where there may be overlapping jobs.

Restructuring strategies are ways that troubled organizations try to survive. This can happen because of a bad economy, bad management decisions, failures of previous strategy, or a variety of other reasons. Restructuring often involves reducing the size of the organization by selling off part of the company (divestiture), downsizing the workforce, or in extreme situations, bankruptcy or liquidation. Restructuring strategies require HRM to reduce staff and perform all of the unpleasant tasks that go along with staff reductions such as determining who needs to be retained and who needs to be let go, delivering the bad news, and assisting workers in finding new employment.

BOB LARSON/KRT/Newscom

Nordstrom employees are encouraged to develop a strong personal connection with customers.

Business Level Strategies Nordstrom is an apparel retailer with a history of superior customer service that borders on legendary status. Employees make extraordinary efforts to please customers including sending thank you notes, delivering merchandise, making reminder calls about sales, and cheerfully locating hard-to-find items. How do the HR people at Nordstrom find these talented salespeople? It starts with an understanding of business level strategy.

Nordstrom has strategically chosen to create competitive advantage by establishing relationships between the customer and employee. HR has policies and procedures in place to support that strategy. Applicants are screened for their attitude and understanding of customer service. Once hired, training supports and reinforces the emphasis on creating relationships. There are many different types of business level strategies, but most center around creating a competitive advantage that competitors find difficult to imitate.

Functional Strategies Organizational structures often group people with similar responsibilities in functional groups. These may include finance and accounting-related positions; marketing, manufacturing, and production; and human resources. All establish functional strategies that support the corporate level strategy. Examples of functional unit strategic decisions that support organizational strategy include the following:[10]

- **Marketing:** Aligning products, prices, promotion, and distribution to meet customer needs.
- **Finance:** Managing capital efficiently.
- **Human Resource:** Recruit, hire, train, develop, and compensate employees.
- **Operations:** Designing production processes and inventory systems.

Strategy Implementation

At the implementation level, HR designs jobs so that employees understand the relevance of their positions to the organizational strategy and the necessary *knowledge, skills, and abilities* (KSAs) to achieve success. Thought also needs to be given to the amount of autonomy, skill variety, and work pace the position needs. Hiring and recruitment policies must be examined to make sure that the proper sources are being

Exhibit 2-3

Strategic HR Aligns with Organizational Strategy

Different organizational strategies call for tailor-made HR strategies. Staffing, training and development, motivation, and maintenance all must emphasize factors that support the strategy.

Strategy Type	What It Looks Like	Implications for HR
Cost differentiation: Provide great value and low cost.	Emphasize acquiring low-cost materials, streamlining processes, reducing waste, maximizing efficiencies (e.g., Walmart, IKEA, McDonalds).	**Structure** jobs, departments to maximize cross training, knowledge sharing. **Design** compensation programs to reward efficiency, cost savings. **Select** employees with versatile skill sets.
Product differentiation: Deliver product/service that is similar to that of competitors but incorporates a feature(s) that differentiates it.	Emphasize creativity and innovation. Consumers faced with multiple choices; identify those features that make the product/service stand out (e.g., Apple, Netflix, Aveda).	**Design** compensation systems to reward creativity, innovation. **Educate** employees about product/service differentiating features. **Create** marketing campaigns to promote special product features.
Customer Intimacy: Strong personal relationship between provider of product or service and customers.	Emphasize relationship between consumers and point person. Personalized service differentiates the product/service from competitors (e.g., local hair salon, Nordstrom, Hulu, Pandora).	**Recruit** and select job candidates with strong customer service and customer relations skills to help fortify the provider–consumer relationship. **Focus** reward strategies on customer attraction, satisfaction, and retention.
Customer/Market Focus: Unique target market characteristics	Emphasize the needs of a specific target market, like generational or lifestyle (e.g., Abercrombie & Fitch, Harley-Davidson, Urban Outfitters).	**Use** strong market research to drive recruitment and selection so employees have a strong understanding of the target market. **Emphasize** versatility and adaptability as products and services are subject to rapid changes.[11]

contacted and people with the right skills are being selected. Changes in strategy will require HR professionals to direct recruiting efforts to find individuals with skills matching the organizational strategy. For example, an organization seeking a cost differentiation strategy may need to seek employees who are flexible and have a variety of skills in addition to their specific job description. It is these jobs that HRM must be prepared to fill.[12]

Performance management also needs to support the organizational structure. HR needs to decide what the relevant job standards are and how to evaluate performance. Compensation needs to reward progress toward organizational goals. In short, **strategic human resource management** creates a clear connection between the goals of the organization and the activities of the people who work there. Recruitment, hiring, onboarding, training, performance management, career planning, compensation, and benefits all need to be developed and implemented so they support the organization's strategic objectives.

strategic human resource management
Aligning HR policies and decisions with the organizational strategy and mission.

Evaluating Results

Once HRM has developed plans to align practices with strategy, it's important to measure how well the strategic efforts of HRM and other business units are achieving the organizational mission. **Metrics** are quantitative assessments used to measure the effectiveness of business practices. Let's take for example a retailer with an aggressive growth strategy of doubling the number of stores in the next 2 years, requiring hiring and training 300 new employees and managers. As HR begins to quickly hire and train the necessary people, it would be helpful to examine some relevant HR metrics such as the current rate of employee turnover, time required to fill a position, and cost per hire. The huge task of

metrics
Quantitative assessments used to measure the effectiveness of business practices.

hiring 300 people would be accomplished faster if employee turnover were reduced and time required to fill positions were shortened. If cost per hire were also reduced, the HR budget would go further.

By themselves, these metrics mean little, so they are compared to previous timeframes or against a benchmark to determine effectiveness.[13] For example, a current annual retail employee turnover of 55 percent sounds high, but if the average annual turnover is 67 percent for retail workers, the employer is doing a slightly better job of retaining employees than the rest of the industry on average. Even so, an employee turnover rate of over 50 percent each year puts additional pressure on recruiters to bring in a large number of qualified applicants and HRM needs to look at shortening the time required to fill positions. Comparing HR metrics to industry **benchmarks** provides a perspective for evaluating HR practices and making decisions about the future. Benchmarks are metrics from other businesses or industry averages used to compare performance. Benchmark data are available from industry organizations, consulting firms, and SHRM (the Society of Human Resource Management).

benchmarks
Metrics from other businesses or industry averages used to compare performance.

A variety of workforce analytics software packages are available to track workforce metrics, allowing HRM to determine if current practices are accomplishing strategic objectives. Workforce analytics software not only computes relevant metrics, it also puts them in easy-to-interpret formats such as dashboards. **Dashboards** are visual displays of HR metrics based on the way we use the dashboard gauges on a car. They can be quickly accessed and interpreted on a computer or tablet. The charts and graphs on the display can be provided by HRIS software or derived from spreadsheets.

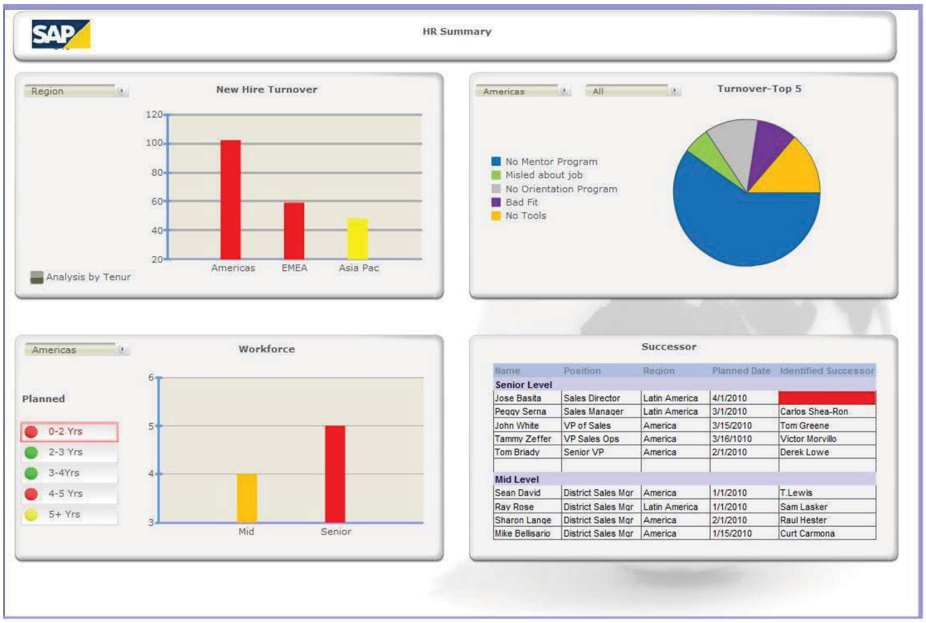
dashboards
Visual displays of HR metrics that can be quickly accessed and interpreted on a computer or tablet.

Examples of HR metrics:

HR Department	Compensation	Employment
• HR-to-Employee ratio • HR expense to operating expense ratio • HR expense to FTE ratio	• Annual salary increase • Salaries as a percentage of operating expense • Target bonus for executives • Target bonus for non-executives	• Number of positions filled • Time to fill • Cost per hire • Annual turnover rate

Exhibit 2-4
Key HR Metrics

Metrics are compared to benchmarks and historical data to determine progress toward HR strategic goals.



Successor

Name	Position	Region	Planned Date	Identified Successor
Senior Level				
Jose Basita	Sales Director	Latin America	4/1/2010	
Peggy Serna	Sales Manager	Latin America	3/1/2010	Carlos Shea-Ron
John White	VP of Sales	America	3/15/2010	Tom Greene
Tammy Zeffer	VP Sales Ops	America	3/16/1010	Victor Morvillo
Tom Briady	Senior VP	America	2/1/2010	Derek Lowe
Mid Level				
Sean David	District Sales Mgr	America	1/1/2010	T.Lewis
Ray Rose	District Sales Mgr	Latin America	1/1/2010	Sam Lasker
Sharon Lange	District Sales Mgr	America	2/1/2010	Raul Hester
Mike Bellisario	District Sales Mgr	America	1/15/2010	Curt Carmona

Exhibit 2-5
HR Dashboard

Dashboards are visual displays of HR metrics like this example from SAP. © SAP SE. All rights reserved.

DIVERSITY TOPICS

How Nike Does It

> *"Most companies embrace diversity. Not Nike."*

This statement from Nike.com is a little shocking, but the next line goes on to explain:

> *"We soak it up. We squeeze it out. We want it to drip over everything Nike does. Because without diversity of opinion, diversity of background, diversity of perspective, the Idea grows fallow. Or worse, it vanishes altogether. The mission is to harness diversity and inclusion to inspire ideas and ignite innovation."*[14]

Since creativity and innovation are important values to Nike, diversity is seen as a strategic necessity to maintain their competitive advantage as a global leader in athletic apparel and equipment. As Nike sought ways to establish a culture of diversity and inclusion, they surveyed Nike employees around the world to determine what it meant to them. The results supported four themes:

- *Diversity drives recruitment of the most dynamic people.*
- *Diversity enriches the creativity and innovation that shapes the brand.*
- *Diversity grows our competitive advantage.*
- *Diversity heightens the stature and belief in the brand within our culturally diverse consumer base.*[15]

A "Diversity and Inclusion" team supports the culture with initiatives with a variety of initiatives such as establishing employee networks that support understanding and growth. The six networks include Asia Pacific Employee and Friends; Black Employee and Friends; Disabled Employee and Friends; Gay, Lesbian, Bisexual Transgender and Friends; Latino and Friends; Native American and Friends and Global Women's Leadership Council. Other initiatives include training, partnering with other organizations such as colleges to support diversity efforts and recognition programs for employees that create welcoming and inclusive environments.

Things to think about:

Nike plans to measure the effectiveness of these diversity and inclusion efforts with organizational culture assessments. What should the assessments measure to determine if progress is being made?

The HRM Functions

HRM is the part of the organization concerned with the "people" dimension. HRM can be viewed in one of two ways. First, HRM is a staff or support function in the organization, providing strategic, tactical, and transactional HR services to everyone in the organization. Second, HRM is every manager's job, whether you work in the HR department or you supervise a crew of young part-timers. All managers have HRM responsibilities.

HRM can be divided into four basic functions: (1) staffing, (2) training and development, (3) motivation, and (4) maintenance. In other words, we might say that HRM is made up of four activities: (1) hiring people, (2) preparing them, (3) encouraging them, and (4) keeping them.

Even the smallest entrepreneurial organization with one or two employees must recognize responsibility for all four HR functions. In organizations that are too small for a formal human resource management department, these functions will be the responsibility of each line manager. Line managers will always have many of these responsibilities whether a formal human resources department exists or not. HR departments are generally responsible for assisting the line manager in these activities. Organizational strategy, structure, or culture may dictate that such activities, although supportive of line management, will be more effective if handled in a more centralized manner in the human resource department.

Staffing Function

staffing function
Activities in HRM concerned with seeking and hiring qualified employees.

After the organization's mission and strategy have been fully developed, human resource managers begin the **staffing function** to determine human resource needs necessary to

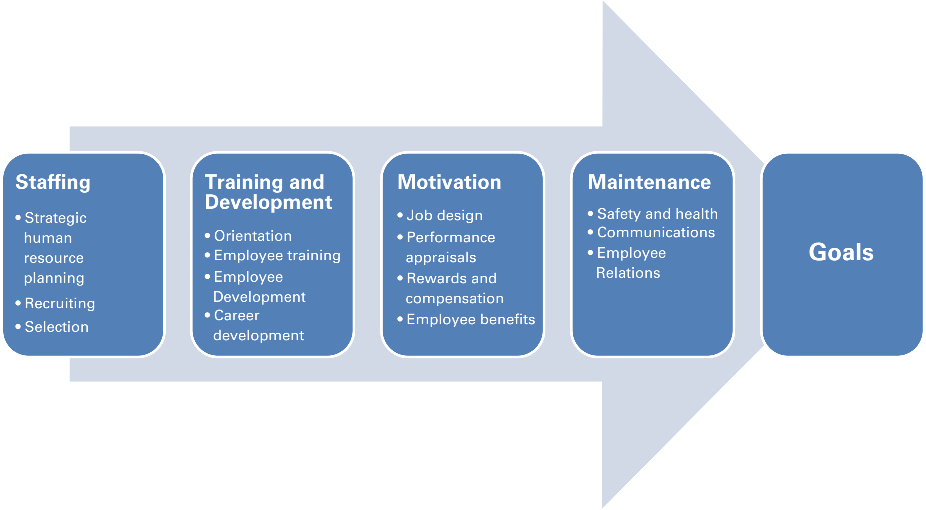

Staffing
• Strategic human resource planning
• Recruiting
• Selection
Training and Development
• Orientation
• Employee training
• Employee Development
• Career development
Motivation
• Job design
• Performance appraisals
• Rewards and compensation
• Employee benefits
Maintenance
• Safety and health
• Communications
• Employee Relations
Goals

Exhibit 2-6
Human Resource Management: Primary Activities

HRM goals are accomplished through the functions of staffing, training and development, motivation, and maintenance.

Kate Lacey/The New York Times/Redux Pictures

Google engineers energize by playing "Guitar Hero" at work.

support the strategic plan.[16] The search begins to find individuals who possess specific skills, knowledge, and abilities directly linked to specific jobs.

Many organizations assist in recruiting efforts by developing and promoting an employment "branding" strategy much the same way that consumer products have a distinct brand image. The image needs to fit the organizational strategy, mission, and values. Google, for instance, has promoted an employment brand that promotes its culture of creativity and innovation plus employee perks such as free food, games, and lots of social interaction.[17] Earlier, we mentioned that Starbucks has made the strategic decision to provide benefits to all employees, including part-time. Starbucks communicates benefits, ethics, and socially responsible initiatives to potential employees via Starbuck's Facebook, LinkedIn, Twitter, YouTube, and Instagram. In addition to Starbuck's own social media messages, they depend on their employees to spread the message that they are a great employer and place to buy coffee because employees spread the message more credibly than the company can itself. This type of branding creates an image of the workplace and assists candidates in selecting an employer that they perceive to be a good fit with their values, personality, and work ethic. Branding also allows candidates who do not feel that they would be a good fit with the organization to decide not to pursue employment.

As an organization's jobs are analyzed, specific skills, knowledge, and abilities are identified that the job applicant must possess to succeed. Through the job analysis process, HRM identifies the essential qualifications for a particular job and includes them in the job description. This accomplishes two objectives. First, prospective employees can see a clear connection between the job and the mission or strategy of the company. Second, it assures that the candidate is selected according to objective criteria and not politics or personal bias, hopefully reducing the chance that illegal discrimination may influence hiring.

Almost all activities involved in HRM revolve around an accurate description of the job. Knowledge of the critical skills required, performance standards, and pay rates all stem from an accurate job analysis. Once these critical competencies have been identified, the recruiting process begins. Recruiters reach out to find qualified applicants in a variety of ways from personal contacts to extensive use of online recruiting, including social media.

Once applications have come in, it is time to begin the selection phase. The selection process screens applicants and develops a pool of qualified applicants who move on to an interview process and possible testing. At the end of the process, job offers are extended to the best qualified candidates. Additionally, HRM must communicate a variety of information to the applicant, such as the organization culture, what is expected of employees, and any other information that is pertinent to the candidate's decision-making process. When the job offer has been accepted, HRM focuses its attention on the employee's training and development. We will cover these topics in depth in Chapters 6 and 7.

Training and Development Function

training and development function
Activities in HRM concerned with assisting employees to develop up-to-date skills, knowledge, and abilities.

Whenever HRM embarks on the hiring process, it attempts to search for and secure the "best" possible candidate. And while HRM professionals pride themselves on being able to determine those who are qualified versus those who are not, the fact remains that few, if any, new employees can truly come into an organization and immediately become fully functioning, 100 percent performers. First, employees need to adapt to their new surroundings.

Employees often take months to adjust to their new organizations and positions. The onboarding process helps employees learn the culture of the organization, how information is communicated, and how their position fits the organization's structure and strategy. HRM plays an important role in assimilating employees so they can become fully productive. To accomplish this, HRM typically embarks on four areas in the training and development phase: employee training, employee development, organization development, and career development. It is important to note that employee and career development is more employee centered, whereas employee training is designed to promote competency in the new job. Organization development, on the other hand, focuses on organizational changes. While each area has a unique focus, all four are critical to the success of the training and development phase. We have summarized these four in Exhibit 2-7.

The training and development function tends to be a continuous process. The goal of training and development is to have competent, adapted employees who possess the up-to-date skills, knowledge, and abilities needed to perform their current jobs more successfully. If that is attained, HRM turns its attention to finding ways to motivate these individuals to exert high energy levels.

Exhibit 2-7
Training and Development Activities

Training and development activities are a continuing process beginning with the first day on the job, building skills for high performance and high morale.

Employee Training	Employee training is designed to assist employees in acquiring better skills for their current job. The focus of employee training is on current job–skill requirements.
Employee Development	Employee development is designed to help the organization ensure that it has the necessary talent internally for meeting future human resource needs. The focus of employee development is on a future position within the organization for which the employee requires additional competencies.
Career Development	Career development programs are designed to assist employees in advancing their work lives. The focus of career development is to provide the necessary information and assessment in helping employees realize their career goals. However, career development is the responsibility of the individual, not the organization.
Organization Development	Organization development deals with facilitating system-wide changes in the organization. The focus of organization development is to change the attitudes and values of employees according to new organizational strategic directions.

Motivation Function

The **motivation function** requires HRM to understand and utilize leadership skills to inspire employees to greater effort. Human behavior is complex, and trying to figure out what motivates various employees has long been a concern of behavioral scientists. However, research has given us some important insights into employee motivation.

motivation function Activities in HRM concerned with helping employees exert themselves at high energy levels.

Motivation is not just what the employee exhibits but a collection of environmental issues surrounding the job. From a performance perspective, employees need the appropriate skills and abilities to adequately do the job. This should be ensured in the first two phases of HRM by correctly defining the requirements of the job, matching applicants to those requirements, and training the new employee in how to do the job. But another concern is the job design itself. If jobs are poorly designed, inadequately laid out, or improperly described, or if there does not seem to be a connection to the goals of the organization, employees will perform below their capabilities. Employees like to know that their job has a point or purpose and to be recognized for their contribution. Well-designed jobs help create motivation because the employee seeks intrinsic rewards that come from feeling appreciated and having a sense of responsibility. Extrinsic rewards such as pay and benefits provide motivation too, but have limited ability to encourage loyalty, creativity, and innovation.[18]

Many organizations today recognize that motivating employees also requires a level of respect between management and workers. This respect can be seen as involving employees in decisions that affect them, listening to employees, and implementing their suggestions where appropriate.

The next step in the motivation process is to set performance standards for each employee. While no easy task, managers must be sure that the performance evaluation system is designed to provide feedback to employees regarding their past performance, while addressing any performance weaknesses the employee may have. A link should be established between employee compensation and performance: The compensation and benefit activity in the organization should be adapted to and coordinated with a pay-for-performance plan.[19] Performance management systems are covered in Chapter 10.

Maintenance Function

The **maintenance function** puts into place activities that will help retain productive employees. HRM must ensure a safe and healthy working environment and assist employees in achieving a healthy work–life balance, as discussed in Chapter 1. Many organizations do this by creating a package of family–friendly benefits and work practices such as limiting overtime work, providing family health benefits, on-site daycare, flexible scheduling, wellness programs, and counseling. Employees appreciate these programs, reducing stress, job dissatisfaction, and employee turnover.

maintenance function Activities in HRM concerned with maintaining employees' commitment and loyalty to the organization.

Family–friendly benefits and a strong organizational culture built around core values sound great, but unless employees know about them, they're useless. HRM must develop effective **communications programs** in the organization. Employee relations programs should ensure that employees are kept well informed—through things such as the company's e-mail, voicemail, website, videoconferencing, meetings, and social media. A recent survey by staffing service, Accountemps, found that poor communication was the major reason for employee morale problems. "Improving workplace communication is one of the most effective and least costly ways to combat the problem of a disengaged workforce," according to Accountemps Chairman Max Messmer.[20]

communications programs HRM programs designed to provide information to employees.

Structure of the HR Department

Responsibility for the four HRM functions of staffing, training and development, motivation, and maintenance can be distributed in many different ways in organizations. Company size, strategy, and structure are variables that help determine how HRM functions will be handled. The proper fit can be unique to the organization, so describing all of the possible structures would be difficult in this textbook.

The typical nonunion HRM department usually includes four distinct areas: (1) employment, (2) training and development, (3) compensation/benefits, and (4) employee relations. Usually reporting to a vice president of human resources, managers in these four areas have specific responsibilities. Exhibit 2-5 is a simplified organizational representation of HRM areas, with some typical job titles and a sampling of what these job incumbents earn.

Employment

Entry level positions in companies with large HR departments frequently involve representing the company at job fairs and college campuses. Other positions include employment specialists who sort through résumés or applications and reject applicants who do not meet the job's requirements. The remaining applications or résumés are then typically forwarded to the line managers for review. The line manager may then instruct the employment specialist to interview the selected candidates. In many cases, this initial interview is another step in the hiring process. Understanding what the line manager desires in an employee, the employment specialist begins to further filter down the list of prospective candidates. During this phase, candidates who appear to "fit" the line area's need typically are scheduled to meet with the line manager for another interview. The recruiting and selection processes will be covered in detail in Chapters 6 and 7.

It is important to note that the employment specialist's role is not to make hiring decisions but to coordinate efforts with line management. Once the line manager has selected a candidate, the employment specialist usually makes the job offer and handles the routine paperwork associated with hiring an employee.

Training and Development

The training and development section of an organization helps employees maximize their potential and create greater organizational productivity. Training and development specialists often assume the role of the organization's internal change agents. As change agents, or organizational development specialists, they help organization members cope with change in many forms. Some examples of challenges in the dynamic environment that could trigger strategic changes in an organization are changes in government regulations; mergers; economic factors, such as the price of oil or gas; or a change in strategy by a major competitor. A change in the organization's strategy or structure can result in layoffs, new job assignments, team involvement, or a change in culture that would require new orientations for organizational members. Employees may need to be informed of changes in policies or procedures and trained on how to handle them. For example, ethical behavior has come under scrutiny in many industries and organizations. HRM may need to develop ethics education programs and train employees on how to recognize and report ethics violations. Training and education is often the best way to prevent ethical problems. Training and development may also include career development activities and employee counseling to help people make better choices about their careers and to achieve their desired goals.

compensation and benefits
HRM function concerned with paying employees and administering the benefits package.

On-site wellness centers are a popular employee benefit and an important recruiting tool.

© *Kevin Wolf/AP/Wide World Photos*

Compensation and Benefits

Work in **compensation and benefits** is concerned with paying employees and administering their benefits package. These tasks are by no means easy ones. First of all, job salaries are not decided randomly or subjectively. Compensation decisions come from elaborate investigations, surveys, and analyses. These investigations range from simple, logical job rankings (i.e., the position of company president should pay more than the position of maintenance engineer) to extensive analyses.

Once these analyses are finished, job ratings are statistically compared to determine the job's relative worth to the company. External factors such as market conditions and limited supply of potential workers may affect the overall range of job worth. Organizational strategy may also dictate that the compensation system reward an important organizational goal such as efficiency, creativity, or customer service focus.[21]

Benefits have become one of the more dynamic areas of HRM. Changes in healthcare laws, strategic application of benefits, and creative benefit packages are factors creating challenges for HR managers working with benefits. As benefit offerings to employees have become significantly more costly, the benefits administrator has the responsibility of piecing together a benefits package that meets employee needs and is cost-effective to the organization. But benefits should not be viewed solely from a cost-containment perspective. Benefits are of a strategic nature in that they help attract and retain high-quality employees.[22]

The benefits administrator also serves as the resource information officer to employees regarding their benefits. This information may be provided through a company's HRIS. We will discuss this in greater detail in Chapter 12.

Employee Relations

The **employee relations function** has several major responsibilities. Before we go further, however, we should explain the difference between employee relations and labor relations. In a union environment, many management practices are restricted by the labor agreement or the National Labor Relations Board. Nonunion employers have fewer restrictions when handling issues such as resolving conflicts and disciplining employees.

employee relations function
Activities in HRM concerned with effective communications among organizational members.

In the nonunion setting, employee relations specialists are responsible for effective communication throughout the organization and reinforcing the organizational culture. Activities involve a variety of everyday HR activities such as conducting employee recognition, resolving conflicts, enforcing policies and procedures, investigating complaints, handling disciplinary issues, maintaining the employee handbook, and many others. Communication is a particularly important responsibility. Effective communication helps increase employee loyalty and commitment by providing accurate information, building trust, and reinforcing the organizational culture and core values.[23]

Talent Management

Now that we've taken a quick look at the HRM functions in a typical organization, we need to revisit strategic HR in order to discuss an important aspect of HR called Talent Management.

Talent Management has been described as "a deliberate and ongoing process that systematically identifies, assesses, develops and retains talent to meet current and future business needs and objectives."[24] If you're thinking that sentence pretty much sums up Chapter 2, you'd be correct. The HR processes involved aren't new, but the term "Talent Management" represents an understanding that truly talented employees are hard to find, and once they are identified, organizations need to do everything in their power to hire them, develop their potential, and keep them. Most companies that use a talent management strategy view it as an integrated approach to get and keep the best talent by using HRM best practices and using technology to support those practices and track effectiveness. Some of the key management processes include the following:[25]

Talent Management
Using HRM best practices to recruit and retain talented employees in order to achieve organizational objectives.

- **Workforce planning:** Revisit organizational strategy and make sure that all HR practices support long-term goals. This includes identifying the number of people and skills necessary to support business plans, evaluating the skills and strengths of current staff. A database that compiles all employee information, along with HRIS systems that identify recruiting needs, and analytics that measure progress toward accomplishing objectives are all important parts of keeping HR practices focused on achieving goals. This also allows HR to identify characteristics of top performing employees that would help identify good external candidates.

- **Recruiting:** Examine qualified internal talent using the database, identify and contact external talent through social media tracking, and develop an employment brand that attracts candidates with desired characteristics. Focuses hiring on business goals, for example, if improved customer service is the goal, candidates from companies with a reputation for excellent customer service would receive attention.
- **Applicant Tracking:** Hiring processes including applications, screening, interviews, assessments, and background checks are monitored for legal compliance and timeliness.
- **Onboarding:** Design onboarding processes to emphasize culture, core values, and key behaviors that support strategy.
- **Performance Management:** Job responsibilities and performance expectations are aligned with strategic goals. Evaluation of performance is designed to provide motivation, determine areas of future development, and align with strategy.
- **Compensation:** Pay can be aligned with performance and competencies that support organizational strategy. Equity and fairness can be monitored.
- **Workforce Development:** Personalized training is delivered based on the performance process, personal goals of the employee, and goals of the business unit and organizations.
- **Career and Succession Planning:** High-potential employees are identified and career paths are recommended. Future openings are predicted and possible internal candidates are suggested. Mentoring relationships can be established.

Organizations that utilize an integrated talent management strategy are able to track the effectiveness of HR practices in pursuit of strategic goals. There is strong evidence that the ability to recruit, identify, hire, develop, and retain the best talent helps companies to be more profitable. It also helps employers recruit by becoming an employer of choice. Most of the companies that show up on the "Best Companies to Work For" and "Most Admired" lists utilize talent management processes.

TIPS FOR SUCCESS

HRM Certification

Many colleges and universities are helping prepare HRM professionals by offering concentrations and majors in the discipline. Is there a way to determine the level of competence of these HRM professionals? Actually, there are currently two different groups that provide testing and certification in HRM.

The original HR professional certification is sponsored by the Human Resource Certification Institute (HRCI). The HRCI offers four certification areas for HR professionals:[26]

PHR®	Professional in Human Resources
SPHR®	Senior Professional in Human Resources
GPHR®	Global Professional in Human Resources
PHR-CA/SPHR-CA®	PHR or SPHR with state certification in California

The Society for Human Resource Management (SHRM) is the leading professional organization for HR professionals. In 2015, SHRM established two new HR credentials designed to encourage HR professionals to acquire HR knowledge and behaviors necessary for effective performance:

SHRM-CP	SHRM Certified Professional
SHRM-SCP	SHRM Senior Certified Professional

The Association for Talent Development (ATD), formerly the American Society of Training and Development (ASTD), also offers certification for those wanting to specialize in training and development.

Things to think about:

Is there an SHRM or ATD chapter in your area? Locate the closest chapter and register to attend the next meeting as a guest.

Exhibit 2-8

Selected HR Salaries

HR salaries vary widely depending on the position, location, industry, and size of the employer.

Median Total Cash Compensation for Select HR Positions	
HR Executive (Vice President)	$262,000
HR Director	$128,500
Employee Relations Manager	$95,084
HR Information Systems	$74,900
HR Recruiter III	$72,492
HR Recruiter I	$52,079
HR Generalist	$50,209
HR Assistant	$36,495

Source: Salary.com, June 2014.

Is a Career in HR for Me?

Are you considering a career in Human Resource Management? It's a good idea, considering that the Bureau of Labor Statistics estimates that the need for HR professionals will grow faster than most career areas through 2022.[27] Exhibit 2-8 provides median annual salaries for several different HR positions in areas of the United States.

Positions include the following:

- **Assistant:** provides support to other HR professionals.
- **Generalist:** provides service to an organization in all four of the HR functions.
- **Specialist:** is typically concerned with only one of the four functions.
- **Executive:** reports directly to the organization's top management with responsibility for all HR functions and linking HR with organizational strategy.

As in most business careers, HR professionals can expect to work their way up. An HR professional will frequently start as an **HR generalist** or as a **recruiter**. HR generalists may start with a company of any size and have a variety of opportunities for employee contact including recruiting, hiring, training, evaluating, communication, administering benefits, disciplining, and, yes, possibly even firing employees. HR professionals know that much employee contact can be awkward and difficult, but proper training and skills can help.[28] Recruiters represent one employer or work with a recruiting firm that represents many employers. In a recent interview, Libby Sartain, former head of HR for Yahoo! and Southwest Airlines, stated "I started as a recruiter. It's a good way to learn about the organization, its jobs, pay and structure."[29] She went on to explain that understanding the structure and strategy of the organization is important to advance. Some of the skills that can pave your way to success in HR include strong interpersonal communication skills, drive and ambition, critical thinking skills, and a good background of business knowledge outside of HR.[30] It also helps to be flexible about your location.

HR generalist

Position responsible for all or a large number of HR functions in an organization.

Recruiter

Assists organizations in locating and acquiring new employees.

HRM is a function of *every manager's job, not just those who work in human resources.*

HR Trends and Opportunities

We have observed that HR is a partner in developing structures and practices that fit strategy. This sometimes involves changing the structure of the HR department as well. Let's take a look at some of the ways HRM is evolving to meet strategic needs.

Outsourcing HR Functions

HRM is not immune to the trend of outsourcing noncore business operations with the goal of saving money. In some organizations, top management has made a decision to outsource some, if not all, of the work HRM professionals once handled. Human resource outsourcing (HRO) organizations have seen a dramatic growth. A recent survey found that 53 percent of all companies outsource some portion of their HR functions.[31]

Outsourcing may be as simple as hiring a contractor to take responsibility for one HR function, such as benefit and pension administration. It's also possible to contract with a private staffing agency to perform the recruiting and selection activities, several consulting firms to provide training programs, and yet another financial organization to handle the majority of a company's benefits administration. American Airlines outsourced nearly all HR functions—including recruitment, staffing, training, and development—to IBM in partnership with Mercer, a company that handles administration of all benefits. American Airlines received improved employee access to and information about benefits and substantial cost savings from this $217 million, 7-year contract.[32] Other large companies that provide HR services include Accenture and ADP.

Professional Employer Organization (PEO)

professional employer organization
Assumes all HR functions of a client company by hiring all of its employees and leasing them back to the company.

A **professional employer organization** is a company that assumes all HR functions of a client company by hiring all of its employees and leasing them back to the company. This is also called employee leasing. The PEO gains economies of scale by negotiating for benefits for the employees of several organizations. This can be a very cost-efficient way for small- to medium-sized organizations to provide benefits equal to those of larger organizations. The company pays the PEO a percentage of the gross wages. PEOs will account for most of the increase in money spent for HRM outsourcing.[33] Much of the attractiveness of using a PEO to a small- or medium-size business comes from the ability to attract stronger candidates with the benefits they could not have afforded without the bargaining power of the PEO. Another advantage is having the expertise of the PEO to handle confusing government regulation requirements.

Shared Services

shared services
Sharing HRM activities among geographically dispersed divisions.

In the strategic planning process, it may be necessary to restructure the HR department to better align organizational resources in order to achieve strategic objectives. In response to the need to cut costs or restructure, one trend is to move to a **shared services** model. This model restructures the HR department into three components that each report to HR executives at the company headquarters. The goal is to achieve cost savings by combining some HR functions, achieving economies of scale, eliminating duplicated services, and standardizing how some services are delivered. In a recent survey by the Society of Human Resource Management, 75 percent of HR managers reported using shared services to provide HR support within the organization.[34]

The format of shared services models varies depending on the needs of the organization. They may include the following:[35]

- **Centers of excellence** that handle a wide range of activities including staffing, training, benefits administration, employee relations, and diversity programs.
- **Service centers** that handle transactional HR duties such as payroll.
- **Business partners** who work directly with business unit managers in strategic roles such as developing succession plans and compensation programs.

Depending on the organization's strategy and needs, some or all HR roles and responsibilities may be outsourced. Common HR activities that may be outsourced include those that are mostly transactional in nature and involve little contact with employees, such as benefit and flexible spending account administration, criminal background checks, and retirement planning. Organizations are less likely to outsource performance management, policy development, and compensation plan administration.

HRM in a Small Business

In a small business, the owner-manager may be responsible for all HR activities. In other situations, small-business human resource departments are staffed with one HR generalist and possibly a full-time HR assistant. Regardless of the unit's size, the same activities are required in small businesses, but on a smaller scale. These small-business HRM professionals must properly perform the four HRM functions and achieve the same goals that a larger department achieves. The main difference is that they are doing the work themselves without the benefit of a specialized staff.

Many small businesses use outside consultants to assist in or perform all HRM activities. For instance, in a small company, some benefits such as health insurance may be prohibitively expensive and benefit administration may be beyond the capability of the small-business person. In that case, a PEO may be able to provide more cost-effective insurance benefits and benefit administration. HRM in a small business requires that individuals keep current in the field and associated legal issues. For example, the Family and Medical Leave Act of 1993 is applicable to those organizations that have 50 or more employees. Accordingly, the small business may be exempt from some laws affecting employment practices. Businesses with fewer than 15 employees, for example, are not obligated to comply with the Americans with Disabilities Act, although some states may have lower requirements. Being aware of this information can save small businesses time, money, and keep them compliant with the law.[36]

HRM in a Global Environment

As a business grows from regional to national to international in size, the HRM function must take on a new and broader perspective. As a national company expands overseas, first with a sales operation, then to production facilities and fully expanded operations, or to international joint ventures, or possibly a merger, the human resource function must adapt to a changing and far more complex environment.[37]

All basic functions of domestic HRM become more complex when the organization's employees are located around the world, and additional HRM activities that would be considered invasions of employee privacy in domestic operations become necessary. This occurs partially because of the increased vulnerability and risk of terrorism or kidnapping that American executives sometimes experience abroad.

When a corporation sends employees overseas, that corporation takes on additional responsibilities. Not only are organizations concerned about selecting the best employee for the job, they must also be aware of the entire family's needs. Why? Many individuals who take international assignments fail because their spouse or family can't adjust to the new environment. Furthermore, the relocation and orientation process before departure may take months of foreign language training and should involve not just the employee but the employee's entire family. Details must be provided for work visas, travel, safety, household-moving arrangements, taxes, and family issues such as children's schooling, medical care, and housing. Administrative services for expatriate employees must also be available once they are placed in their overseas posts. All these additional functions make international HRM a very costly undertaking. We will examine many more aspects of how HR functions in a global environment in the following chapters.

Summary

(This summary relates to the Learning Outcomes identified on page 27.) After having read this chapter, you can:

1. **Identify advances in management leading to modern human resource management practices**. In the early 1900s, Frederick Taylor's research led to scientific management principles to increase workers' efficiency and productivity.

Mary Parker Follett advocated that organizations are communities and management should cooperate with workers. Hugo Munsterberg proposed matching employees' personalities and abilities to jobs. In the 1920s and 1930s, The Hawthorne Studies and Elton Mayo found that employees respond more positively to the work group and style of supervision than to working conditions. Frederick Herzberg and Abraham Maslow introduced theories of employee motivation.

2. **Describe the functions of management.** Planning involves establishing the organizational objectives and deciding what actions need to be taken to achieve them. Organizing is the process of determining what resources and activities need to be completed to achieve objectives. The leading function is responsible for inspiring efforts and establishing a culture of support and productivity. Controlling is monitoring activities to ensure that goals are met.
3. **Explain how HRM aligns human resource management processes and practices with organizational strategy.** HR assists decision makers in evaluating where the organization currently stands, deciding where the organization wants to be in the future, developing a plan to achieve those goals, implementing the plan, and checking progress toward those goals. Strategic human resource activities support organizational strategy through human capital–related areas such as building, developing, and maintaining a productive and talented workforce that has the skills necessary to accomplish organizational goals.
4. **Outline the components and the goals of the staffing, training and development, motivation, and maintenance functions of human resource management.** The staffing function includes strategic human resource planning, recruiting, and selection. The goal of the staffing function is to locate and secure competent employees. The training and development function includes orientation, employee training, employee development, organization development, and career development. The goal of the development function is to adapt competent workers to the organization and help them obtain up-to-date skills, knowledge, and abilities for their job responsibilities. The components of the motivation function include motivation theories, appropriate job designs, reward and incentive systems, compensation, and benefits. The goal of the motivation function is to provide competent, adapted employees who have up-to-date skills, knowledge, and abilities with an environment that encourages them to exert high energy levels. The components of the maintenance function include safety and health issues and employee communications. The goal of the maintenance function is to help these employees maintain their commitment and loyalty to the organization.
5. **Explain the structure of a typical HRM department.** A typical nonunion HRM department usually includes four distinct areas: (1) employment, (2) training and development, (3) compensation/benefits, and (4) employee relations. The components of the staffing, training and development, motivation, and maintenance functions are divided between the four areas.
6. **Discuss talent management and how it benefits organizations.** Talent management is an integrated approach to get and keep the best talent by using HRM best practices and using technology to support those practices and track effectiveness.
7. **Outline current trends and opportunities in human resource management.** Outsourcing HR functions as a cost-saving measure is increasing. Professional Employee Organizations that take over the workforce and HR functions by leasing employees back to employers are gaining popularity in small- to medium-sized businesses. Shared services that create centers of excellence, service centers, and business partners are a way to restructure HR to cut costs.
8. **Explain how human resource management practices differ in small businesses and in an international setting.** In large HRM operations, individuals perform functions according to their specialization. Small-business HRM practitioners may instead be the only individuals in the operation and must operate as HRM generalists. In an international setting, HRM functions become more complex and typically require additional activities associated with staffing and training and development.

Key Terms

benchmarks
communications programs
compensation and benefits
competitive advantage
controlling
core competency
dashboards
employee relations function
Hawthorne studies
HR generalist
leading
maintenance function
management
metrics
mission
mission statement
motivation function
organizing
outsourcing
planning
professional employer organization
recruiter
scientific management
shared services
staffing function
strategic human resource management
strategic management
strategic planning process
SWOT analysis
talent management
training and development function

HRM Workshop

Reviewing Important Concepts

1. Explain which of the advances in management seem most and least important in the evolution of HRM. (LO 1)
2. How is the role of HR demonstrated in each of the four management functions? (LO 2, 3)
3. Explain the purpose of HRM in an organization. (LO 3, 4, 5, 6)
4. What role does HRM play in the strategic management process? (LO 3)
5. Explain ways that a talent management strategy improves an organization's ability to attract and keep talented employees. (LO 6)
6. Which of the HR functions seem to be most important and why? (LO 4)

Evaluating Alternatives

7. Aiden, founder of a growing company that creates software to help small businesses manage their money, sees no reason to create a mission statement or undergo a strategic planning process. He states "It's my company. The mission is whatever I say it is. We work hard, play hard, and don't have time to sit around answering a lot of questions about where we want to be in 5 years. We want to be the 'go-to' for startups that want to grow. Period!" Evaluate Aiden's point of view. What should a strategic plan for his company include? (LO 3)
8. You have been offered two positions in HRM. One is a generalist position in a smaller business and one is a recruiting position in a large corporation. Explain which of the two jobs you would prefer and why. Which will provide a better foundation for an HR career? Opportunities for advancement? Defend your answers. (LO 4, 5)

Research and Communication Skills

9. Visit an HRM department, either on or off campus. During your meeting, ask an HRM representative what he or she does on the job. Focus specifically on the person's job title and key job responsibilities and why he or she has chosen to be in HRM. After your appointment, provide a summary of the interview, highlighting how the information will help you better understand HRM practices. (LO 4, 5, 6, 7)
10. Discuss how you believe the Hawthorne studies have influenced HRM. Find three examples of HRM practices in specific organizations that can be linked to these studies and illustrate them with presentation slides. Explain the benefits these practices provide to the organizations in a short class presentation. (LO 1)
11. Go to the Society of Human Resource Management's website at www.shrm.org. Research the services they provide to their membership and the different options for student membership. Find a contact for the SHRM chapter closest to you and ask if you can attend a meeting as a guest. Report your findings back to the class. (LO 7)
12. Go to the website of the Human Resource Certification Institute at www.hrci.org or ATD's website at www.astd.org. Research the types of certifications they offer and the process one must follow to prepare for the human resource certification exams. What are the benefits to those who achieve certification? Present your findings to your class with presentation slides. (LO 7)

Making a Difference SERVICE LEARNING PROJECTS

A good way to experience the strategic process is to develop and execute an activity of your own that is tailored to the needs of an existing nonprofit organization.

- Research local nonprofits that may need assistance with fundraising and develop an event that helps them achieve their goal. Activities may include planning and hosting a fund-raising dinner or auction.
- Your college may welcome an event that raises money for scholarships or textbooks for needy students. Resist the opportunity to sponsor a bake sale. It's one of those one-time activities that doesn't translate well to your résumé.

As you put your service learning experience together, keep a journal of your activities, the time you spend, contact information for people you work with, and your thoughts about the process. When you're finished, make a presentation to your class about the experience and what you learned. What concepts from Chapter 2 were you able to apply?

Case Application 2-A SEEDS OF CHANGE AT GROWER'S CHOICE

Following an incident that involved a manager making unauthorized accommodations for a disabled employee (for details, see Should be an activity heading. Case Application 1-A: Grower's Choice), Alonzo Nguyen, HR Director at Grower's Choice, a growing regional food store chain, realized that his views of the role of HR were stuck firmly in the 1980s.

Alonzo considered taking legal action against the manager and disabled employee, but the lawyer advised Alonzo and Harold Parker, the CEO, that not only should they drop their legal threats but they were probably in violation of the Americans with Disabilities Act for not accommodating the employee's disability in the first place. The lawyer explained that Grower's Choice had outgrown their HR policies and procedures and needed to get their act together quickly. He also said that failure to modernize would cause continued problems complying with legal requirements and a host of other difficulties. He advised them to get help in aligning HR policies and practices with organizational strategy immediately. This was a problem because Grower's Choice had no formal strategy, depending instead on the practices and values of the family that started the company 40 years earlier.

Working with consultants, Alonzo, Harold, and a committee of company officers and employees hammered out a statement of values and mission statement designed to guide their organizational strategy and update of the HR department.

GROWER'S CHOICE MISSION:

We are committed to the sustainable growth of our organization, employees, and communities by providing our customers with fresh, healthy food and becoming everyone's market of choice.

GROWER'S CHOICE VALUES:

Grower's Choice strives to be a valued part of the community by:

- Selling only fresh, high-quality produce, meat, and groceries from sustainable sources.
- Valuing and developing our friendly and dedicated employees.
- Providing customers with fair prices, clean stores, efficient service, and the highest ethical standards.
- Giving back to the community with our time and resources.
- Using all resources wisely and providing a fair return to our investors.

The consultants congratulated Alonzo and Harold on completing the mission and values, but explained that the real work was just beginning.

Questions:

1. If Grower's Choice strategic mission includes rapidly increasing the number of stores, explain the implications this has for the HR department. (LO 3)
2. How should Grower's Choice mission and values statements influence Alonzo as he restructures the HR department? (LO 3, 4, 5)
3. Explain ways each of the four HRM functions can contribute to supporting the mission and values. (LO 4)
4. Describe the ways that a talent management strategy can benefit Grower's Choice. (LO 6)
5. Evaluate the possibility of outsourcing the HR function for Grower's Choice. (LO 7)
6. **Research:** Compare the mission and values of Grower's Choice with another food store chain such as Wegman's, Publix, Meijer, Albertsons, or your favorite local supermarket. What evidence do you see on the website that HR practices reflect their organizational strategy? (LO 3, 4, 5)

Case Application 2-B HUNGRY FOR PRODUCTIVITY: FRITO-LAY LINKS STRATEGY WITH JOB DESIGN

Frito-Lay knows you love your favorite snack foods, and the prospect of facing an empty shelf where your Doritos should be is just unthinkable. In fact, the Frito-Lay mission statement is "To be the world's favorite snack and always within arm's reach."[38]

In pursuit of their mission to have your beloved chips always at hand, Frito-Lay is constantly looking for ways to make sure their business practices match up with the goal. A few years ago, HR at Frito-Lay was put to the test when low productivity and high turnover of the route sales representatives (RSRs) made it increasingly difficult to meet sales and profitability targets. Line managers and HR were resorting to "cheerleading" in hopes of motivating the RSRs to meet sales goals. But turnover and low productivity continued to make it difficult to achieve, quarter after quarter. HR and line managers teamed up to formulate a cost-effective solution that would solve the problem for good, but first they needed to discover the causes at the heart of the high turnover, low productivity, and morale problems. RSRs are responsible for all delivery of Frito-Lay products to store shelves. This method, called "direct store delivery," is a labor-intensive process. RSRs drive products from warehouses to retailers, stock the shelves, negotiate for more shelf space, take additional orders, and are paid a commission based on sales volume. Executives researched a list of factors that could be responsible for the productivity issues, including compensation, training, a competitive retail environment, and rapidly increasing numbers of Frito-Lay products. In an effort to narrow down the possible causes, they contracted with researchers at the University of Southern California, Los Angeles, to study RSR recruitment, retention, motivation, and productivity. Job design was also studied by breaking the position into three major responsibilities: sales, driving and delivery, and merchandising.

Frito-Lay already knew that one key to increased sales volume was the ability to get additional display space in high traffic areas. Securing additional shelf space was already an important part of RSR training. Frito-Lay had also created a highly structured job for RSRs that included carefully planned driving routes to minimize driving time, stocking procedures, and utilization of the truck. Routes were divided between low-volume routes that include convenience stores and drug stores using smaller trucks and high-volume routes that service large grocery and discount stores with larger trucks. Predictably, low-volume routes required more driving time and contact with store managers. Research determined than RSR sales skills in securing additional display space had a bigger influence on increased sales in these low-volume routes. RSRs who had previous sales experience tended to be more successful that RSRs who did not.

On high-volume routes, the ability of the driver to stick to a tight delivery schedule and have shelves stocked with product earlier in the morning was critical to the increased sales. Prior sales experience further enhanced the ability of the RSR in these high-volume routes. HR used the information collected to link hiring and job training to organizational strategy and sales growth by the following:

- Putting more emphasis on recruiting and hiring individuals with prior sales experience.
- Increasing sales training for RSRs.
- Making hourly employees available to help the high-volume route RSRs with stocking duties, enabling them to focus on the tight driving, delivery schedules, and sales tasks.

HR was able to more successfully meet the organizational strategy by carefully analyzing the internal factors that were causing the problem. They were able to align, hire, train, and design jobs to meet organizational needs, resulting in happy snackers worldwide. Next time your favorite flavor of Doritos is in plentiful supply at your local retailer, remember Frito-Lay's mission and thank HR.[39]

Questions:

1. How are recruiting, job design, and organizational strategy at Frito-Lay linked? How does one influence the other? (LO 3, 4, 5)
2. If you were an RSR at Frito-Lay, which of the changes would you find most beneficial? Least? How would the changes affect your motivation? (LO 6)
3. Can all productivity problems be cured by better aligning job design with organizational mission? Why or why not? (LO 3, 4, 5)
4. **Research:** How does Frito Lay recruit for RSRs? What online sources do they use? Explore sites like Indeed.com and Glassdoor.com and read the reviews of applicants and employees. What evidence do you see that hiring is linked to strategy? (LO 3, 4, 6)

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Equal Employment Opportunity

3

Guess What the Court Says!

What are your opinions about the following three cases? Results of the court decisions are in the HRM Workshop at the end of the chapter.

Female workers at a Fred Meyer's store in Oregon felt they were harassed by a male customer who visited the store daily, making lewd comments to customers and employees for several years. Was this sexual harassment? Was Fred Meyer liable to the female employees?

A female bank employee in Omaha told her employer that a male coworker talked to her about sexual activities and touched her in an offensive manner. It took 4 days for the bank to investigate the complaint. The male employee was reprimanded. Did the bank act quickly enough? Was the action taken against the male employee appropriate?

Two Female employees of Avco Corp. in Nashville complained that their supervisor repeatedly bombarded them with unwelcome invitations for drinks, dates, and sex. He made lewd comments about their bodies and became nasty when his advances were rejected. Company sexual harassment policy required employees to complain to a supervisor, but the harasser was their supervisor. When they complained to upper management, they were told not to go to the EEOC and were told to take sick leave while their claims were investigated. The supervisor was put on administrative leave and eventually demoted. The women returned to work, but their sick leave was never reinstated and their personnel files contained notes about their excessive use of sick leave. Were Avco's actions adequate? Did Avco retaliate against the female employees illegally?

Looking Ahead

How would you have handled these situations if you were the victims? If you were the employer or supervisor? Do you believe these are unusual or very common situations?

LEARNING OUTCOMES

After reading this chapter, you will be able to:

1. Explain how Title VII of the Civil Rights Act of 1964 and the Civil Rights Act of 1991 protect employees from discrimination and the exceptions that are allowed.
2. Outline the amendments, laws, and executive orders that have expanded, limited, and clarified equal rights in the workplace.
3. Outline the role of the Supreme Court in clarifying and enforcing employment law using examples of important cases.
4. Explain how the Uniform Guidelines on Employee Selection Procedures and the concepts of adverse impact, disparate treatment, and affirmative action help employers identify and prevent discriminatory practices.
5. Explain how equal employment laws are enforced including the complaint process.
6. Explain how employers can protect employees from two types of sexual harassment.
7. Review current issues in equal employment.
8. Identify legal issues faced when managing HR in a global environment.

Introduction

If you've ever experienced the adverse effects of favoritism in the workplace, you know that it can be very frustrating when a coworker receives favorable treatment, such as a better schedule, a raise, or promotion, for no justifiable reason. It doesn't seem fair to employees who are just as qualified and may even work harder than the person whom management favors, yet don't have the same opportunities or rewards because of an employer bias. It doesn't seem to be a very wise business move either. Workers who are qualified and work hard have more to contribute to the organization than those who are hired or promoted simply because management likes them more. Certainly, management needs to make hiring decisions based on who would be a better employee, but those decisions should be made by hiring or promoting the best employees based on their qualifications and how well they fit the job requirements, rather than irrelevant criteria or personal bias against a person's gender, color, age, religion, or any other protected status.

If you were to do a little research on the companies that have been sued for discrimination in the past couple of years, you would find a surprisingly long list that includes Walmart, Costco, Target, Walgreens, UPS, FedEx, Marriott, Disney, Abercrombie & Fitch, Microsoft, Apple, Google, Best Buy, Home Depot, and even the Equal Employment Opportunity Commission (EEOC). These organizations all claim to value diversity in race, gender, national origin, disability, religion, and sexual orientation, so what went wrong? The EEOC reports that charges of job discrimination are at an all-time high, reaching nearly 100,000 every year.[1] This should serve as a warning to employers to update their knowledge of the laws protecting workers from discrimination, our focus in this chapter. Laws concerning other areas of HR, including pay, safety, benefits, and labor relations will be covered in the appropriate chapters throughout the book.

Keep in mind that our discussion will be mostly limited to federal employment legislation. State or municipal laws may go beyond what the federal government requires. For example, although the Civil Rights Act does not include sexual orientation as one of the protected classes, nearly half the states, plus over 180 cities and counties, protect employees from discrimination based on sexual orientation in the workplace.[2] Many companies have gone beyond any legal requirements by voluntarily implementing policies that protect employees on the basis of sexual orientation. These include 94 percent of Fortune 500 companies, including most of the companies listed in the previous paragraph.

The Importance of the Civil Rights Act of 1964

Illegal discrimination is the process of making employment decisions such as hiring, firing, discipline, pay, promotions, leaves, or layoffs based on criteria such as race, religion, gender, national origin, skin color, or any other criteria that has been identified as a protected category by equal employment laws or regulations. No single piece of legislation has had a greater effect on reducing employment discrimination than the **Civil Rights Act of 1964**. It is divided into parts called titles—each dealing with a particular type of discrimination. For HRM purposes, **Title VII** of the act is especially relevant.

Civil Rights Act of 1964
Outlawed racial segregation and discrimination in employment, public facilities, and education.

Title VII
The most prominent piece of legislation regarding HRM, it states the illegality of discriminating against individuals based on race, religion, color, sex, or national origin.

Title VII prohibits discrimination in hiring, promotion, dismissal, benefits, compensation, or any other terms, conditions, or privileges of employment based on race, religion, color, gender, or national origin. Title VII also prohibits employers from retaliation against an individual who files a charge of discrimination, participates in an investigation, or opposes any unlawful practice. Most organizations with 15 or more employees are bound by the law. This minimum number of employees is meant to exempt small, family-owned businesses, although some states require smaller employers to comply with the law. Let's take a closer look at the types of employment protection provided in Title VII.

No single piece of legislation has had a greater effect on reducing employment discrimination than the Civil Rights Act of 1964.

Race and Color Discrimination

The United States has come a long way since the fight for civil rights began, but evidence of employment discrimination based on race and color isn't hard to find. In fact, racial discrimination is one of the most common discrimination complaints filed with the EEOC. Racial and color discrimination involves treating an employee or applicant differently because of a personal characteristic that is related to race such as hair texture, skin color, or facial features. It may also arise from cultural characteristics such as a person's name, attire, or accent. Employees need not belong to a racial minority to be protected. Employees that are subject to discrimination because they are married to a minority or Caucasians working in a minority-owned organization may be protected as well.[3] Employees are even protected from discrimination if the employee and employer are of the same race or color. For example, people of the same racial or ethnic group may discriminate against each other because of lighter or darker skin tone, accent, or speech pattern.

Supermarket chain Albertson's paid $8.9 million in 2009 to resolve three race- and color-related lawsuits filed by 168 minority employees who were given harder work assignments and disciplined more severely than their Caucasian coworkers. The EEOC found that employees who complained about the discriminatory treatment were given harder job assignments, passed over for promotion, or fired (Exhibit 3-1).[4]

Religious Discrimination

A religiously diverse workforce requires employers to understand how work practices may be discriminatory, establish policies that respect an employee's religion, and protect employer and employee rights. Religious discrimination includes treatment of applicants or employees differently because of religious beliefs and how they are practiced. Pretty much any religious belief (or lack of belief) is protected, whether it is mainstream or obscure. As long as the beliefs the employee holds and the practices he or she adheres to are "sincerely held," and his or her employer is informed of those beliefs, that employee cannot be discriminated against for religious reasons.

Employers are required to make reasonable accommodations in the workplace for employees unless doing so creates a burden on the operations of the business. This may include dress and appearance accommodations such as allowing religious head

Civil Rights Act of 1964	Title VII prohibits employment discrimination in hiring, compensation, and terms, conditions, or privileges of employment based on race, religion, color, sex, or national origin.
Equal Pay Act	Requires equal pay for equal work regardless of gender.
Executive Order (E.O.) 11246	Prohibits discrimination on the basis of race, religion, color, and national origin by federal agencies as well as those working under federal contracts.
Executive Order 11375	Added sex-based discrimination to E.O. 11246.
Age Discrimination in Employment Act of 1967	Protects employees 40–65 years of age from discrimination. Later amended to age 70 (1978), then amended (1986) to eliminate the upper age limit altogether.
Executive Order 11478	Amends part of E.O. 11246, states practices in the federal government must be based on merit, also prohibits discrimination based on political affiliation, marital status, or physical handicap.
Equal Employment Opportunity Act of 1972	Granted the enforcement powers for the EEOC.
Age Discrimination in Employment Act of 1978	Increased mandatory retirement age from 65 to 70. Later amended (1986) to eliminate upper age limit.
Pregnancy Discrimination Act of 1978	Affords EEO protection to pregnant workers and requires pregnancy to be treated like any other disability.
Americans with Disabilities Act of 1990 and ADA Amendments Act of 2008	Prohibits discrimination against an essentially qualified individual and requires enterprises to reasonably accommodate individuals.
Civil Rights Act of 1991	Nullified selected Supreme Court decisions. Reinstates burden of proof by employer. Allows for punitive and compensatory damages through jury trials.
Family and Medical Leave Act of 1993	Permits employees in organizations of 50 or more workers to take up to 12 weeks of unpaid leave for family or medical reasons each year.
Uniformed Services Employment and Reemployment Rights Act of 1994	Allows veterans right to return to their job in the private sector when returning from military service.
Genetic Information Nondiscrimination Act of 2008	Prohibits discrimination based on employee's genetic information.
Don't Ask, Don't Tell Repeal Act of 2010	Prohibits discrimination against members of the armed services based on sexual orientation.

Exhibit 3-1
Summary of Primary Federal Laws Affecting Discrimination

Title VII of the Civil Rights Act of 1964 began a series of laws and Executive Orders that have attempted to eliminate discrimination in the workplace. Many of these laws prevent employers from making job-related decisions on hiring, promotion, and pay based on factors that are not related to the employee's ability to do the job, such as race, religion, gender, or disability.

coverings for men and women, facial hair for men, or religious requirements to wear or not to wear certain articles of clothing. Employers do not need to make accommodations if safety is an issue. For example, employers in the manufacturing industry may require safety apparel or restrict flowing garments if they are related to the employee's safety. Tattoos may even be protected if required by religious belief.[5] There are situations in which scheduling accommodations can be made for employees whose religion requires that they do not work after sundown on Friday, on Saturday, or on Sunday, as long as it does not create an undue hardship on the employer. Employees may also request time and space for prayers during the work day. For extended time off during holidays when the business is open, employees may be required to take vacation or paid time off (PTO).

National Origin Discrimination

National origin discrimination involves issues of citizenship and permanent residence status and is often related to race or color discrimination. One example is when employers discriminate against employees because of their name, dress, or accent. Foreign accents should not be used in employment decisions unless it seriously interferes with job performance. For example, an employee who was fired after 9 years of employment for failing to present a "positive, friendly, and enthusiastic image" to customers filed a complaint that she had been ridiculed for her accented English, instructed not to speak Spanish to anyone, even customers, unless the customer initiated the conversation in Spanish. A jury awarded her $500,000 because the discrimination was based on her national origin. Employers may only require English fluency if English is required to perform the essential job functions or for safe and efficient operation of the business.

Sex-Based Discrimination

Treating someone unfavorably in the workplace because of their gender is discrimination. EEOC reports that sex-based discrimination accounts for approximately 30 percent of discrimination claims every year.[6] Sex or gender discrimination takes many forms. Any job requirement that holds one sex to a different procedure, standard, or qualification than the other may be discriminatory. Possible discriminatory practices include differences in policies regarding leaves of absence, benefits, unique job categories and promotions, dress codes, training opportunities, and pay.

Sex-based discrimination has been extended to include people who are transgender or connected with groups that are associated with a certain gender. Sexual orientation is not protected by Title VII or federal law. State laws may provide protection and in some circumstances, lesbian, gay, or bisexual individuals are covered if they are discriminated against because they do not conform to traditional sex stereotypes.[7] Employers should consider a variety of measures to prevent sex-based discrimination for transgender employees[8]:

- Dress codes should address organizational goals for professionalism or safety without specific requirements for men and women. Transgendered people should be able to dress according to their expressed gender.
- Restrooms and changing rooms should be available according to the employee's full-time gender identity. Unisex facilities may be provided.
- Employee records may need to be modified to reflect gender transition including name changes. Appropriate pronouns should be used. It may be necessary to privately ask the employee's preference and discuss a plan for notifying coworkers and customers of pronoun or name changes.

The wage gap between men and women in the United States shows that in spite of decades of attempts to create equity in pay, women still earn 77 cents for every dollar that men earn.[9] There are many possible reasons for the pay gap, including differences in education, experience, time in the workforce, and larger numbers of women in sales, clerical, and service jobs that traditionally pay less.[10] But when the earnings of women who work full time in salaried jobs were compared to the earnings of men by the U.S. Bureau of Labor Statistics, the women only moved up to 80 cents for every dollar that the men earned.[11] Time spent out of the workforce as a family caregiver and working in lower paying jobs may explain part of the wage gap, but women in the workforce still find that opportunities are not quite equal, and, therefore, pay isn't equal either.[12]

In addition to Title VII of the Civil Rights Act, sex and gender discrimination is also defined and protected by other laws. These include the Equal Pay Act of 1963, the Pregnancy Discrimination Act of 1978, the Lilly Ledbetter Fair Pay Act of 2009, and more that will be covered further in this and other chapters (Exhibit 3-2).

Exceptions That Are Permitted

There are a few situations that seem like discrimination at first look but are considered to be exceptions to Title VII. These are job relatedness or business necessity, bona fide occupational qualifications, and seniority systems.

Business Necessity Work-related skills or education that are vital to the safe or efficient operation of a business are an accepted reason that an employer may have a requirement that appears to be discriminatory. Examples of business necessity would include hearing requirements for certain positions in law enforcement or requiring a college degree for a position that requires specialized skills such as teaching or

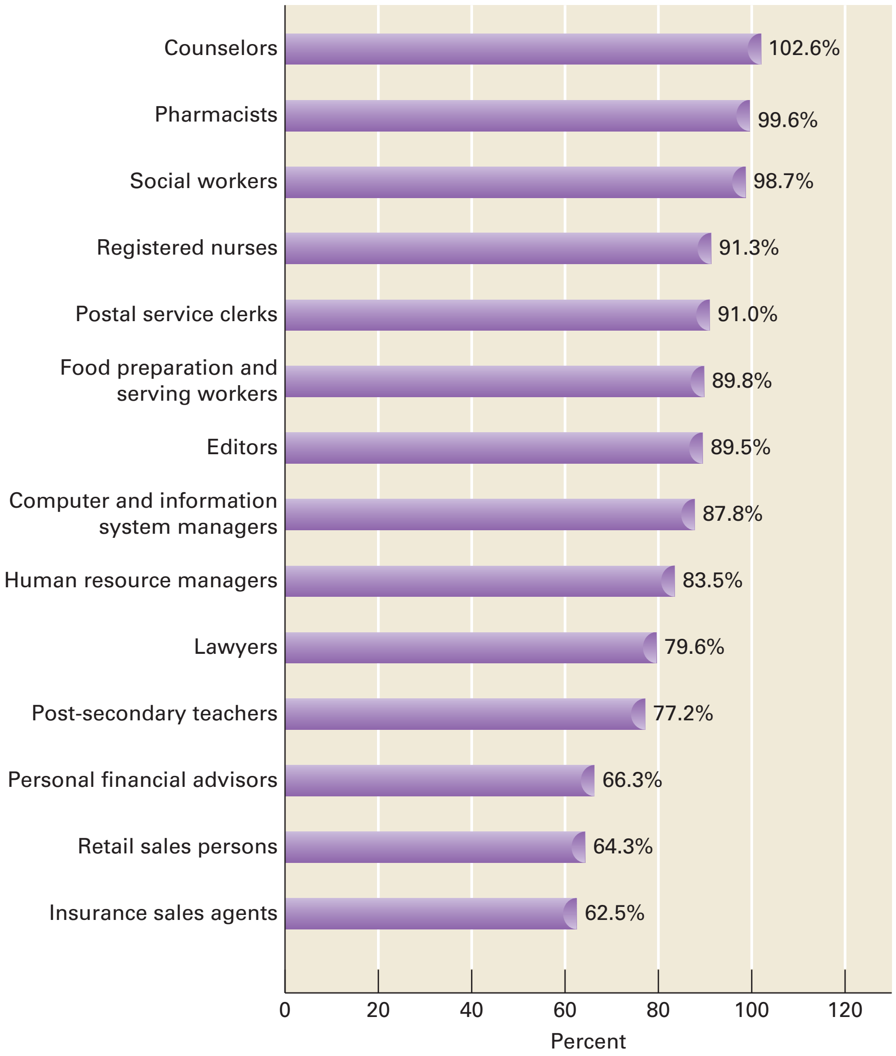

Exhibit 3-2

Ratio of Women's to Men's Earnings in Selected Occupations

Equal pay for equal work has been the law of the land since 1963, yet in many professions, women have not closed the pay gap. The pay gaps between men and women in selected occupations are shown here.

Source: BLS Reports, Highlights of Women's earnings in 2012. http://www.bls.gov/cps/cpswom2012.pdf

computer programming. Job-relatedness criteria are substantiated through the validation process. We'll return to this topic in Chapter 7.

Bona Fide Occupational Qualifications Under Title VII, a **bona fide occupational qualification (BFOQ)** is permitted where such requirements are "reasonably necessary to meet the normal operation of that business or enterprise." BFOQ coverage is extended to age, sex, religion, or national origin. BFOQs cannot include race or color. Although BFOQs are permissible exceptions to Title VII, they are narrowly defined. Let's look at some examples.

bona fide occupational qualification (BFOQ) Job requirements that are "reasonably necessary to meet the normal operations of that business or enterprise."

Some employers tried to argue that a specific gender is a requirement to be a firefighter, police officer, or flight attendant for reasons such as physical strength or public perception. The courts held that the strength requirements were valid indicators of success, but gender was not. In some jobs such as prison guards, washroom attendants, and healthcare, gender may be used as a determining factor to "protect the privacy interests of patients, clients, or customers."[13]

Religion may be used as a differentiating factor in ordaining a church minister, but a faculty member doesn't have to be Catholic to teach at a Jesuit college. Under rare circumstances, an organization may refuse to hire individuals whose religious observances fall on days that the enterprise normally operates if the organization demonstrates that it cannot reasonably accommodate these religious observances.

In terms of national origin, BFOQs have become rare. In some situations, organizations have been able to prove that a foreign accent or the inability to communicate effectively "materially interferes with the individual ability to perform" the job. An example would be a cab driver whose thick accent makes it extremely difficult for passengers to communicate with him.[14]

Our last area of BFOQ is age. With subsequent amendments to the Age Discrimination in Employment Act (ADEA), age BFOQs are hard to support. For example, a person over age 40 could legitimately be excluded as a swimsuit model on a photo shoot for a sports magazine, but not as the photographer.

seniority systems
Decisions such as promotions, pay, and layoffs are made on the basis of an employee's seniority or length of service.

Seniority Systems Finally, the organization's bona fide **seniority system** can serve as a defense against discrimination charges. If employment decisions such as layoffs stem from a well-established and consistently applied seniority system, decisions that may adversely affect protected group members may be permissible. However, an organization using seniority as a defense must be able to demonstrate the appropriateness of its system. Although means are available for organizations to defend themselves, the best approach revolves around job-relatedness. BFOQ and seniority defenses are often subject to great scrutiny and, at times, are limited in their use.

The Civil Rights Act of 1991

Civil Rights Act of 1991
Employment discrimination law that nullified selected Supreme Court decisions. It reinstated burden of proof by the employer and allowed for punitive and compensatory damage through jury trials.

The **Civil Rights Act of 1991** was passed to restore rights of employees who sued employers for discrimination after a series of Supreme Court decisions limited those rights. A number of other employment-discrimination-related issues were addressed, including prohibition of discrimination on the basis of race and racial harassment on the job. The act also returned the burden of proof that discrimination did not occur back to the employer and reinforced the illegality of employers who make hiring, firing, or promoting decisions on the basis of race, ethnicity, sex, or religion. Possibly the most drastic change was to allow discrimination victims who have been intentionally discriminated against under Title VII or the ADA to seek compensatory and punitive damages in a jury trial.

Laws Affecting Discriminatory Practices

It didn't take long to realize that Title VII of the Civil Rights Act didn't go far enough to eliminate unequal treatment in the workplace. Many groups were still left unprotected from discrimination and the groups that were included in the law had a tough time enforcing their rights. Several amendments to the Civil Rights Act, laws, and executive orders have expanded, limited, or clarified equal rights in the workplace.

Equal Employment Opportunity Act (EEOA)

Equal Employment Opportunity Act (EEOA)
Granted enforcement powers to the Equal Employment Opportunity Commission.

Equal Employment Opportunity Commission (EEOC)
The arm of the federal government empowered to handle discrimination in employment cases.

By 1972, after realizing that the Civil Rights Act left much to interpretation, Congress passed an amendment to the act called the **Equal Employment Opportunity Act (EEOA)**. This act provided a series of amendments to Title VII. Probably the greatest accomplishment of the EEOA was the granting of enforcement powers to the **Equal Employment Opportunity Commission (EEOC)**, which was able to force employers who were reluctant to comply with the law. In addition, the EEOA also expanded Title VII coverage to include employees of state and local governments, employees of educational institutions, and employees of labor organizations with 15 or more employees or members.

The EEOC is responsible for enforcing federal laws that make it illegal to discriminate against applicants and employees based on race, religion, color, sex, national origin, age, disability, or genetic information. The top priority for EEOC investigation is systemic discrimination, which means that the employer or industry has a pattern or practice that broadly discriminates against a protected group. This would include barriers to recruitment, hiring, or training that effectively limit the opportunities of a specific group.

Examples include employers who rarely offer advancement or training to women beyond a certain level in an organization, layoffs that consistently reduce the number of minorities or people over 40, and application procedures that make inquiries about characteristics that may be used to discriminate such as marital status or religion. If an investigation by the EEOC finds that an employer is engaging in a discriminatory practice, it may file a civil suit against the organization if unable to resolve discrimination charges within 120 days. Individuals may also file suit themselves if the EEOC declines to sue. In addition to investigating charges of discrimination, the EEOC works to prevent discrimination through outreach and education programs for employers, providing guidance to federal agencies to assure compliance with EEOC regulations and assistance with affirmative action employment programs.[15]

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Why does the Age Discrimination in Employment Act permit certain exceptions, like requiring commercial airline pilots to retire upon reaching their 65th birthday? The rationale focuses on the potential for a pilot's skills to lessen after age 65. That, coupled with concern for air safety of traveling passengers, has resulted in an exception to the law.

Relevant Executive Orders

Executive Orders are issued by the president of the United States to provide guidance to government agencies on specific topics. Executive Order 11246 prohibits discrimination on the basis of race, religion, color, or national origin by federal agencies as well as by contractors and subcontractors who work under federal contracts. Executive Order 11375 added sex-based discrimination to the above criteria. Executive Order 11478 superseded part of Executive Order 11246 and states that employment practices in the federal government must be based on merit and must prohibit discrimination based on race, color, religion, sex, national origin, political affiliation, marital status, or physical disability.

These orders cover all organizations that have contracts of $10,000 or more with the federal government. Additionally, organizations with 50 or more employees and/or $50,000 in federal grants must have an active affirmative action program. The Office of Federal Contract Compliance Program (OFCCP) administers the order's provisions and provides technical assistance.

CONTEMPORARY CONNECTION

Discrimination Claims Going Up

Discrimination claims filed with the EEOC have increased sharply over the past 5 years, increasing the workload for both HR professionals and the EEOC. A combination of factors seem to be responsible, including difficult economic conditions resulting in high unemployment and a new online filing process, making it easier for employees to file claims.

Although all claims are investigated, over 80 percent are dismissed because they are found to be without merit, duplicate claims, or withdrawn. The remaining 20 percent are settled by awarding the employee who made the claim back pay, promotion, or reinstatement of seniority or a job, totaling over $404 million in benefits.

The categories of claims are changing along with the increased numbers. Employer retaliation is currently the largest category of complaints, followed by race, sex, disability, and age.[16]

Consider this:

Because an overwhelming number of claims are without merit, should the process be made more difficult?

Why do you think there has been an increase in retaliation claims?

Age Discrimination in Employment Act (ADEA)
This act prohibits arbitrary age discrimination, particularly among those over age 40.

Age Discrimination in Employment Act of 1967

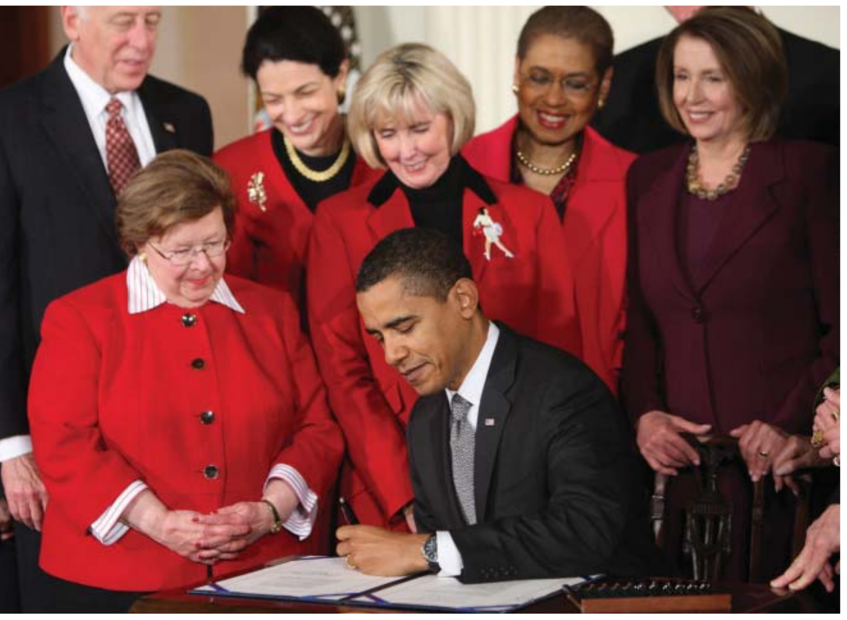
The **Age Discrimination in Employment Act (ADEA)** of 1967 protects people over the age of 40 from employment discrimination. People under age 40 are not protected by the act, but some states have laws protecting younger workers from age discrimination.[17] Organizations with 20 or more employees, state and local governments, employment agencies, and labor organizations are covered by the ADEA.

Another area of concern involves pension benefits for older workers. In 1990, the ADEA was amended by the Older Workers Benefit Protection Act (OWBPA) to prohibit organizations from excluding employee benefits for older workers. However, the law does permit benefit reduction based on age so long as the cost of benefits paid by the organization is the same for older as it is for younger employees.[18] We'll look at employee benefits in greater detail in Chapter 12.

Common types of age discrimination include policies that affect older workers more than younger workers, including physical fitness requirements that are not relevant to the position, and offering different health benefits or changing job requirements in order to convince older workers to quit and make room for younger employees. In addition, when a company needs to lay off workers in tough economic times, it's tempting to look to the highest paid workers first, and they tend to be more senior, and most likely older, workers. A layoff that targets older workers disproportionately is considered discriminatory. Older workers may also feel discriminated against if workers are allowed to use nicknames like "gramps," "geezer," "old lady," "hag," or even by celebrating landmark birthdays with an "over-the-hill" theme.

Some employers that offer early retirement packages to older workers have begun to require them to sign a document waiving the right to sue for age discrimination as a condition of accepting the package. Any waiver attached to retirement benefits must follow the requirements of the Older Workers Benefit Protection Act of 1990 (OWBPA), which prohibits discrimination in the types of benefits offered to older workers compared with younger workers.

In some circumstances, specialized employees such as commercial pilots may be required to leave their current positions because of strict job requirements. Pilots may no longer captain a commercial airplane when they reach the age of 65. This was increased from age 60 in 2007 for several reasons, including the fact that people are much healthier at age 65 now than when the rule was written in 1950. The FAA was also responding to a shortage of qualified pilots and foreign airlines that have higher age limits.[19]


Lilly Ledbetter sued her employer, Goodyear Tire & Rubber, after discovering that she was being paid less than coworkers with similar jobs. This photo shows Ledbetter directly behind President Obama as he signs the act into law.

Ron Edmonds/©AP/Wide World Photos

Equal Pay Act

The Equal Pay Act was enacted in 1963 with the intent of eliminating the practice of paying women lower wages for the same or similar jobs held by men. It was common practice to alter jobs slightly to justify higher pay for men because they had a family to support. The Equal Pay Act requires that as long as the jobs are substantially equal, the pay must also be equal. The job descriptions do not need to be identical if the jobs require "equal skill, effort, and responsibility, and . . . are performed under similar working conditions within the same establishment."[20]

Unfortunately, pay discrimination still exists in spite of specific laws designed to prevent it. One notable example is Lilly Ledbetter, who worked at Goodyear Tire & Rubber as an overnight production supervisor for nearly 20 years. When she was about to retire in 1998, she received an anonymous note informing her that she was earning substantially less than three male counterparts who held the same position. Ledbetter sued Goodyear, but the Supreme Court held that she was not entitled to compensation because her claim of discrimination needed to be filed within 180 days of the first discriminatory paycheck she received, which was 20 years before she discovered the discrimination. In response to the Supreme Court case, Congress passed the Lilly Ledbetter Fair Pay Act in 2009, allowing workers to file pay discrimination claims within 180 days (300 days in some states) of any discriminatory paycheck.[21]

John Lee/Age Fotostock America, Inc.

The Americans with Disabilities Act isn't just about employment discrimination. It also requires access to public transportation, and communications, important accommodations to getting and keeping a job.

Pregnancy Discrimination

Unbelievable as it sounds, it used to be common to ask women in job interviews or on applications if they were pregnant.[22] Employers were motivated by the desire to reduce work disruptions due to women who took time off for pregnancy complications, childbirth, or care of a newborn. In 1978, the **Pregnancy Discrimination Act** amended Title VII of the Civil Rights Act to prohibit sex discrimination on the basis of pregnancy. As a result, employers may not refuse to hire a pregnant woman because of the pregnancy or the perceptions of coworkers, clients, or customers who may be uncomfortable working with a pregnant woman. Pregnancy must be treated the same as any other health issue. It may not be excluded from health plans or disability leaves, and women must be allowed to work as long as they are able to perform their jobs. When returning to work from leave, women are allowed to return to the same job. If the exact job she left is unavailable, a similar one must be provided. It is interesting to note that this law is highly contingent on other benefits the company offers. Should the organization not offer health- or disability-related benefits such as sick leave to its employees, it is exempt from this part of the law. However, any type of health or disability insurance offered, no matter how much or how little, requires compliance. For instance, if a company offers a benefit covering 40 percent of the costs associated with any short-term disability, then it must include pregnancy in that coverage.

Employers are required to make reasonable accommodations to the work environment for pregnant workers, similar to the accommodations required by the Americans with Disabilities Act. Failure to do so amounts to discrimination, and a claim may be filed with the EEOC. For example, Yaire Lopez, a route driver delivering baked products to retail stores for Bimbo Bakeries USA, Inc., was restricted from lifting more than 20 pounds when she became pregnant. Shortly after providing the written restriction to her supervisor, she was directed by the human resource manager to go home and use Family Medical Leave (FMLA). Lopez was then fired, even though she told her employer that she wanted to work. Lopez sued Bimbo for failing to accommodate her pregnancy, despite the availability of a work program for disabled employees. Lopez was awarded $2.34 million for wrongful firing and for failing to accommodate her pregnancy as other disabilities had been accommodated.[23]

Pregnancy Discrimination Act of 1978
Law prohibiting discrimination based on pregnancy.

The Americans with Disabilities Act of 1990 and the ADA Amendments Act of 2008

Americans with Disabilities Act of 1990
This act extends employment protection to most forms of disability status.

The Americans with Disabilities Act of 1990 act and its accompanying amendment prohibit employment discrimination on the basis of disability in employment for private employers, state and local governments, and labor organizations with fifteen or more employees. To be protected by the ADA, an individual with a disability must be qualified and able to perform the essential functions of the job with or without reasonable accommodations. An individual with a disability is defined by the ADA as a person who has a physical or mental impairment that substantially limits one or more major life activity, a person who has a history or record of such impairment, or a person who is perceived by others as having such impairment.

Several terms involved with the ADA require further definition.

Qualified individual must meet the basic skill, training, licensure, experience, education, or other job-related requirements for the position. For instance, an accountant applying for a position as a CPA must have passed the CPA exam.

Major life activities Z include, but are not limited to, caring for oneself (showering, using the toilet), seeing, hearing, eating, walking, standing, lifting, bending, learning, speaking, breathing, concentrating, communicating, and working.

Essential job functions are required for the successful performance of the job. These need to be specified in job descriptions so applicants know what is required and employers can prove that they are necessary to the job and not arbitrarily applied.

reasonable accommodations
Changes to the workplace that allow qualified workers with disabilities to perform their jobs.

Reasonable accommodations include activities or modifications to the work environment that allow the qualified individual to perform the work. They may be relevant to the size and financial position of the organization. For example, a small business may not be required to make expensive structural modifications such as installing an elevator, yet it may be required of a large business. Examples of modifications may include purchase of modification equipment such as lifts or ramps, modified work schedules, reassignment to a vacant position, modifications to training and testing procedures, leaves of absence, hiring readers or interpreters, widening door frames, and installing hand rails. Generally, these accommodations must be requested by the employee.[24]

It's important to recognize that ADA doesn't protect all forms of disability. For example, illegal drug use is not included, but employees who no longer use drugs and have successfully participated in a supervised drug rehabilitation program may be included. Some psychiatric disabilities (like pyromania and kleptomania) may disqualify an individual from protection, but others may need minimal accommodations such as the ability to leave work early once a week to visit a therapist.[25] Correctable conditions such as poor eyesight or high blood pressure are not included.[26]

"A worker knows immediately if she is denied a promotion or transfer, if she is fired or refused employment. And promotions, transfers, hirings, and firings are generally public events, known to coworkers. When an employer makes a decision of such open and definitive character, an employee can immediately seek out an explanation and evaluate it for pretext. Compensation disparities, in contrast, are often hidden from sight."
—Supreme Court Justice Ruth Bader Ginsberg, dissenting with the majority opinion that found Ledbetter's case was invalid, May 29, 2007[28]

The ADA Amendments Act of 2008 (ADAAA) gives broader protections for disabled workers and "turns back the clock" on court rulings that Congress thought were too restrictive. It is now easier for individuals to establish the existence of a disability, especially regarding impairments such as cancer, diabetes, epilepsy, HIV infection, and bipolar disorder. Major bodily functions are included such as cell growth, immune system function, digestive, bladder and bowel function, neurological and brain functions, respiratory and circulatory functions, and endocrine and reproductive functions. In Chapter 7, we will discuss the importance of understanding the ADA as it pertains to the employee selection process.

Obesity is an employment as well as a health concern in the American workplace. The Centers for Disease Control estimate that nearly 64 percent of Americans are overweight. Although obesity is not covered under the ADA, workers who are morbidly obese with a body mass index (BMI) of 40 or above have successfully claimed that their obesity prevents them from performing one or more essential life functions. Although workers with a BMI less than 40 are not protected, the state of Michigan and the District of Columbia and a few cities have enacted laws to specifically protect workers from discrimination based on size or appearance.[27]

The Family and Medical Leave Act of 1993 (FMLA)

Imagine receiving a devastating diagnosis of cancer. Your doctors tell you that you're one of the lucky ones, after surgery and chemotherapy, your chances of recovery are excellent. The bad news is that when you feel well enough to return to work after surgery and 4 months of chemotherapy, you're unemployed because your employer hired someone else to do your job. The **Family and Medical Leave Act of 1993** (FMLA) allows unpaid leave for the employee's own illness or specific family-related reasons such as childbirth, adoption, or to care for a sick family member, with a guarantee of retaining an employee's job when he or she returns from leave. The FMLA benefits were extended in 2008 to include family members of military personnel who are on active duty. Employees who require a leave of absence from work in order to care for a wounded service member are also included. Several states already had laws in place similar to the new FMLA rules.

Nearly 80 percent of all U.S. workers are covered under FMLA. The act allows workers of organizations that employ 50 or more workers within a 75-mile radius of the organization the opportunity to take up to 12 weeks of unpaid leave in a 12-month period for qualifying reasons.[29] Public agencies and schools are included regardless of the number of employees. To be eligible for these benefits, an employee must have worked for an employer for a total of 12 months (not necessarily consecutively) and must have worked for the organization for at least 1,250 hours in the past 12 months. Employees are generally guaranteed their current job or one equal to it on their return and may retain employer-provided health-care coverage during the leave. If an organization can show that it will suffer significant economic damage by having a "key" employee out on FMLA leave, the organization may not be required to restore the employee to the previous position.[30] Employers are required to inform employees of their rights and responsibilities under the FMLA by posting notices such as the poster in Exhibit 3-3, including FMLA information in handbooks, and providing new employees with a copy of the notice.

Employees may use FMLA leave for one or more of the following reasons[31]:

- Birth or adoption of a child or placement of foster child
- Care for a spouse, son, daughter, or parent with a serious health condition
- Serious health condition of the employee
- Situations that arise because the employee's spouse, son, daughter, or parent is on active military duty such as deployment, welcome home ceremonies, counseling, or time to make necessary financial or legal arrangements because of deployment
- Caring for a spouse, son, daughter, parent, or next of kin who is a member of the armed forces with a serious injury or illness for up to 26 weeks.

Employees must give employers notice of intent to use FMLA leave in advance if possible. If it isn't possible to give advanced notice, the employer must be notified as soon as possible, usually within a day or two. Employers may require certification from a health-care provider to authenticate that the condition is a serious health condition that qualifies for FMLA leave. Serious health conditions that qualify are illnesses or injuries that involve medical treatment overnight in a hospital, hospice care, or stay in a residential medical care facility. Illnesses or injuries that require absence from work of more than 3 days, pregnancy, or a serious or chronic illness also qualify.

Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA)

Anyone who has been absent from work because of service in the military is protected by the **Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA)** and by the Veterans Benefits Improvement Act (VBIA). USERRA was enacted to clarify and strengthen the rights of veterans who served in the Reserves or National Guard. Veterans have the right to return to their jobs in the private sector when they return from military service and are entitled to the same seniority, status,

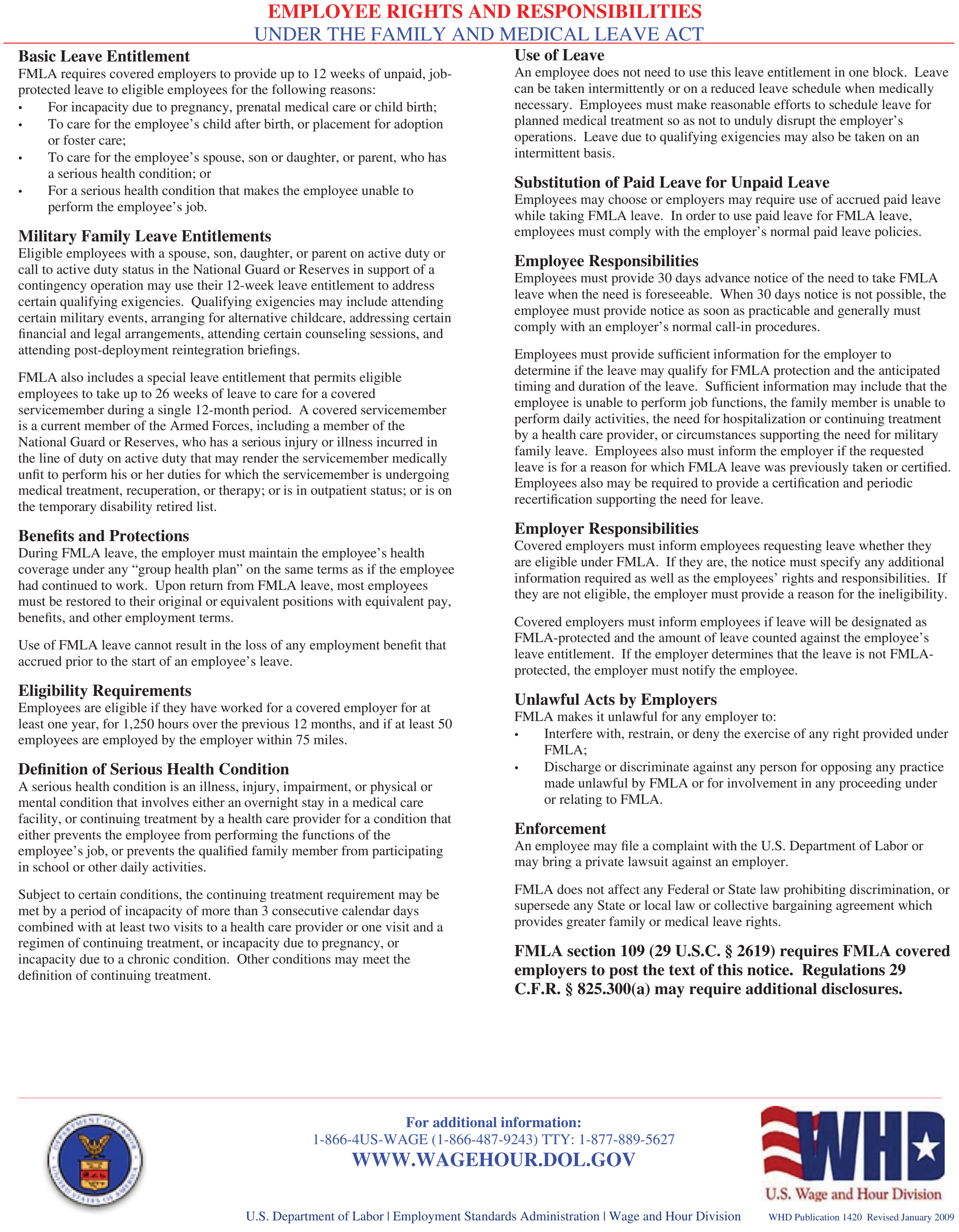
Family and Medical Leave Act of 1993
Federal legislation that provides employees with up to 12 weeks of unpaid leave each year to care for family members or for their own medical reasons.

Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA)
Clarifies and strengthens the rights of veterans to return to their jobs in the private sector when they return from military service.

Help is available for both the employer and veteran when a disability requires adjustment in the workplace. The U.S. Department of Veterans Affairs provides employer assistance including paying part of the cost of retraining a disabled veteran, tax credits for hiring veterans, and deductions for the cost of making the workplace accessible.[34]

Many employers find that veterans have learned valuable skills in the military that are helpful to civilian employers too.

©videodet/iStockphoto



EMPLOYEE RIGHTS AND RESPONSIBILITIES UNDER THE FAMILY AND MEDICAL LEAVE ACT

Basic Leave Entitlement

FMLA requires covered employers to provide up to 12 weeks of unpaid, job-protected leave to eligible employees for the following reasons:

- For incapacity due to pregnancy, prenatal medical care or child birth;
- To care for the employee's child after birth, or placement for adoption or foster care;
- To care for the employee's spouse, son or daughter, or parent, who has a serious health condition; or
- For a serious health condition that makes the employee unable to perform the employee's job.

Military Family Leave Entitlements

Eligible employees with a spouse, son, daughter, or parent on active duty or call to active duty status in the National Guard or Reserves in support of a contingency operation may use their 12-week leave entitlement to address certain qualifying exigencies. Qualifying exigencies may include attending certain military events, arranging for alternative childcare, addressing certain financial and legal arrangements, attending certain counseling sessions, and attending post-deployment reintegration briefings.

FMLA also includes a special leave entitlement that permits eligible employees to take up to 26 weeks of leave to care for a covered servicemember during a single 12-month period. A covered servicemember is a current member of the Armed Forces, including a member of the National Guard or Reserves, who has a serious injury or illness incurred in the line of duty on active duty that may render the servicemember medically unfit to perform his or her duties for which the servicemember is undergoing medical treatment, recuperation, or therapy; or is in outpatient status; or is on the temporary disability retired list.

Benefits and Protections

During FMLA leave, the employer must maintain the employee's health coverage under any "group health plan" on the same terms as if the employee had continued to work. Upon return from FMLA leave, most employees must be restored to their original or equivalent positions with equivalent pay, benefits, and other employment terms.

Use of FMLA leave cannot result in the loss of any employment benefit that accrued prior to the start of an employee's leave.

Eligibility Requirements

Employees are eligible if they have worked for a covered employer for at least one year, for 1,250 hours over the previous 12 months, and if at least 50 employees are employed by the employer within 75 miles.

Definition of Serious Health Condition

A serious health condition is an illness, injury, impairment, or physical or mental condition that involves either an overnight stay in a medical care facility, or continuing treatment by a health care provider for a condition that either prevents the employee from performing the functions of the employee's job, or prevents the qualified family member from participating in school or other daily activities.

Subject to certain conditions, the continuing treatment requirement may be met by a period of incapacity of more than 3 consecutive calendar days combined with at least two visits to a health care provider or one visit and a regimen of continuing treatment, or incapacity due to pregnancy, or incapacity due to a chronic condition. Other conditions may meet the definition of continuing treatment.

Use of Leave

An employee does not need to use this leave entitlement in one block. Leave can be taken intermittently or on a reduced leave schedule when medically necessary. Employees must make reasonable efforts to schedule leave for planned medical treatment so as not to unduly disrupt the employer's operations. Leave due to qualifying exigencies may also be taken on an intermittent basis.

Substitution of Paid Leave for Unpaid Leave

Employees may choose or employers may require use of accrued paid leave while taking FMLA leave. In order to use paid leave for FMLA leave, employees must comply with the employer's normal paid leave policies.

Employee Responsibilities

Employees must provide 30 days advance notice of the need to take FMLA leave when the need is foreseeable. When 30 days notice is not possible, the employee must provide notice as soon as practicable and generally must comply with an employer's normal call-in procedures.

Employees must provide sufficient information for the employer to determine if the leave may qualify for FMLA protection and the anticipated timing and duration of the leave. Sufficient information may include that the employee is unable to perform job functions, the family member is unable to perform daily activities, the need for hospitalization or continuing treatment by a health care provider, or circumstances supporting the need for military family leave. Employees also must inform the employer if the requested leave is for a reason for which FMLA leave was previously taken or certified. Employees also may be required to provide a certification and periodic recertification supporting the need for leave.

Employer Responsibilities

Covered employers must inform employees requesting leave whether they are eligible under FMLA. If they are, the notice must specify any additional information required as well as the employees' rights and responsibilities. If they are not eligible, the employer must provide a reason for the ineligibility.

Covered employers must inform employees if leave will be designated as FMLA-protected and the amount of leave counted against the employee's leave entitlement. If the employer determines that the leave is not FMLA-protected, the employer must notify the employee.

Unlawful Acts by Employers

FMLA makes it unlawful for any employer to:

- Interfere with, restrain, or deny the exercise of any right provided under FMLA;
- Discharge or discriminate against any person for opposing any practice made unlawful by FMLA or for involvement in any proceeding under or relating to FMLA.

Enforcement

An employee may file a complaint with the U.S. Department of Labor or may bring a private lawsuit against an employer.

FMLA does not affect any Federal or State law prohibiting discrimination, or supersede any State or local law or collective bargaining agreement which provides greater family or medical leave rights.

FMLA section 109 (29 U.S.C. § 2619) requires FMLA covered employers to post the text of this notice. Regulations 29 C.F.R. § 825.300(a) may require additional disclosures.

For additional information:
1-866-4US-WAGE (1-866-487-9243) TTY: 1-877-889-5627
WWW.WAGEHOUR.DOL.GOV

U.S. Wage and Hour Division

U.S. Department of Labor | Employment Standards Administration | Wage and Hour Division

WHD Publication 1420 Revised January 2009

Exhibit 3-3

Family and Medical Leave Act Poster

The U.S. Department of Labor provides employers with posters such as this that inform employees of their rights. The Department of Labor website has posters available for free download at www.dol.gov. They also offer assistance in determining which posters you may be required to display in your business.

Source: U.S. Department of Labor.

and pay they would have attained during their military service. They may also retain their insurance benefits, although they may be required to pay for the premiums.

Veterans deployed less than 180 days must notify employers within 2 weeks of their return from the service that they intend to resume work. Those deployed over 181 days must notify employers within 90 days. In most situations, employers must reemploy the veteran within an additional 2 weeks.[32]

The USERRA also prohibits employers from discriminating or retaliating against a job applicant or employee based on prior military service. The process for filing a complaint against employers who do not comply with the act is also spelled out. In 2004, the VBIA clarified the health insurance rights of veterans and required that employers display the USERRA poster along with other information notifying employees of their rights.[33]

Genetic Information Nondiscrimination Act (GINA) of 2008

Most employees wouldn't think a thing about their employer showing concern regarding a parent's serious illness such as breast cancer, heart disease, or Alzheimer's disease. Unfortunately, not all employers have such innocent motives. In 2001, it was discovered that Burlington Northern Santa Fe (BNSF) Railway was using genetic testing to determine if employees had a genetic predisposition to carpal-tunnel syndrome, a common reason for Workers Compensation claims for the railroad. Employees complained to the EEOC that their rights were being violated under the Americans with Disabilities Act, and the testing was stopped.[35]

The **Genetic Information Nondiscrimination Act (GINA)** was passed in 2008. GINA prohibits employers with 15 or more employees from discriminating on the basis of genetic information when making any employment-related decisions, including insurance covered participation in wellness programs. Voluntary participation in health screenings is not covered. Fortunately, the law makes an exception for employers who accidentally learn of relevant genetic information, but employers should be careful about discussing the health of employees and their family members. Since the law is relatively new and genetic research is evolving rapidly, HR managers should stay tuned for further developments and court cases.[36]

Genetic Information Nondiscrimination Act (GINA) Prohibits employers from making employment decisions based on information about an employee's genetic information.

Selected Relevant Supreme Court Cases

At the heart of every court case is an individual that felt he or she was treated unfairly in the workplace. Sometimes these cases find their way to the Supreme Court. They aren't always successful, but sometimes Supreme Court decisions require significant changes to HR policies and procedures. Space does not permit discussion of every important Supreme Court case, but we have chosen a few of the more critical ones to highlight how they affect HRM and the workplace.

Cases Concerning Discrimination

In the 1960s, Duke Power began a policy of requiring everyone to pass two different aptitude tests and have a high school diploma in order to work in any position other than a department called the Labor Department. The Labor Department was the lowest paying department at Duke Power and was almost exclusively staffed with African American employees. Willie Griggs filed a class action lawsuit on behalf of other African American employees, claiming that the requirement to pass the tests and have a high school diploma unfairly discriminated against African American employees who tended not to have the same education as other applicants.

Griggs v. Duke Power Company Landmark Supreme Court decision stating that tests must fairly measure the knowledge or skills required for a job.

In the 1971 ***Griggs v. Duke Power Company*** decision, the U.S. Supreme Court held that tests must fairly measure the knowledge and skills required in a job in order not to discriminate unfairly against minorities. It didn't matter if the original purpose of the test was not discriminatory if the result impacts a protected group disproportionately; it creates an adverse (disparate) impact.

The Griggs decision called into question most intelligence and conceptual tests used in hiring without direct proof that the tests actually predicted ability to do the job. This placed the burden of proof on the employer to prove that any job requirement is job related. The decision did not prohibit the use of testing or measuring procedures.

Albemarle Paper Company v. Moody
Supreme Court case that clarified the methodological requirements for using and validating tests in selection.

In 1975, the Supreme Court decision in the case of ***Albemarle Paper Company v. Moody*** spelled out the validation process necessary to prove employment tests actually measure job requirement.[37] In the case, four African American employees claimed that the tests used by their employer were discriminatory. The Court ruled that the validation process was flawed because it wasn't used consistently, subjective rankings were used, tests were validated against senior jobs and not entry-level positions, and the validation study used only experienced white employees. New applicants were mostly nonwhite (Exhibit 3-4).

Cases Concerning Reverse Discrimination

reverse discrimination
A claim made by white males that minority candidates are given preferential treatment in employment decisions.

Affirmative action programs are necessary to ensure continued employment possibilities for minorities and women, and programs to foster the careers of these two groups have grown over the decades. But while this voluntary action may have been needed to correct past abuses, some white males have found that affirmative action plans work against them, leading to charges of **reverse discrimination**. Let's take a look at a sample of cases involving reverse discrimination.

In 1978, the Supreme Court handed down its decision in the case of *Bakke v. The Regents of the University of California at Davis Medical School*.[38] Allen Bakke applied to the Davis Medical School for one of 100 first-year seats. At that time, U.C. Davis had a self-imposed quota system to promote its affirmative action plan: That is, of the 100 first-year seats, 16 were set aside for minority applicants. Bakke's charge stemmed from those 16 reserved seats. His credentials were not as good as those gaining access to the first 84 seats, but were better than those of minorities targeted for the reserved seats. The issue

Exhibit 3-4
Summary of Selected Supreme Court Cases Affecting EEO

These Supreme Court cases have helped clarify the intent of Equal Employment Laws.

Case	Ruling
Griggs v. Duke Power (1971)	Tests must fairly measure the knowledge or skills required for a job; also validity of tests.
Albemarle Paper Company v. Moody (1975)	Clarified requirements for using and validating tests in selection.
Washington v. Davis (1976)	Job-related tests are permissible for screening applicants.
Connecticut v. Teal (1984)	Requires all steps in a selection process to meet the 4/5ths rule.
Firefighters Local 1784 v. Stotts (1984)	Layoffs are permitted by seniority despite the effects it may have on minority employees.
Wygant v. Jackson Board Education (1986)	Layoffs of white workers to establish racial or ethnic balances are illegal; however, this case reaffirmed the use of affirmative action plans to correct racial imbalance.
United States v. Paradise (1986)	Quotas may be used to correct significant racial discrimination practices.
Sheet Metal Workers Local 24 v. EEOC (1987)	Racial preference could be used in layoff decisions only for those who had been subjected to previous race discrimination.
Johnson v. Santa Clara County Transportation Agency (1987)	Reaffirmed the use of preferential treatment based on gender to overcome problems in existing affirmative action plans.

that finally reached the Supreme Court was: Could an institution impose its own quota to correct past imbalances between whites and minorities? The Supreme Court ruled that the school could not set aside those seats, for doing so resulted in "favoring one race over another." Consequently, Bakke was permitted to enter Davis Medical School.

In the case of the *United Steelworkers of America v. Weber* (1979), Kaiser Aluminum and the United Steelworkers Union set up a temporary training program for higher paying skilled trade jobs, such as electrician and repairer, at a Kaiser plant in Louisiana. Brian Weber, a white employee at the plant who was not selected for the training program, sued on the grounds that he had been illegally discriminated against. He argued that African Americans with less seniority were selected over him to attend the training due solely to their race. The question facing the Court was whether it is fair to discriminate against whites to help African Americans who have been longtime victims of discrimination. The justices said that Kaiser could choose to give special job preferences to African Americans without fear of being harassed by reverse discrimination suits brought by other employees. The ruling was an endorsement of voluntary affirmative action efforts—goals and timetables for bringing an organization's minority and female workforce up to the percentages they represent in the available labor pool.

Mary Altaffer/AP Images

New Haven city officials threw out the results of a promotion test because not enough minorities passed it. The firefighters who passed the test felt it was a case of reverse discrimination and the Supreme Court agreed.

Despite the press coverage that both cases received, many questions remained unanswered. Just how far was a company permitted to go regarding preferential treatment? In subsequent cases, more information became available. In 1984, the Supreme Court ruled in *Firefighters Local 1784 v. Stotts*[39] that when facing a layoff situation, affirmative action may not take precedence over a seniority system. In other words, newest employees may be the first to be laid off, even if the newer employee group has a higher percentage of minorities. This decision was further reinforced in *Wygant v. Jackson Board of Education* (1986),[40] when the Supreme Court ruled that a collective bargaining agreement giving preferential treatment to preserve minority jobs in the event of a layoff was illegal. On the contrary, in *Johnson v. Santa Clara County Transportation* (1987), the Supreme Court did permit affirmative action goals to correct worker imbalances as long as the rights of nonminorities were protected. This ruling had an effect of potentially reducing reverse discrimination claims.

Failure to verify the validity of job requirements may lead to challenges in court.

Ricci v. DeStefano, involved a group of firefighters in New Haven, CT, who won a ruling from the U.S. Supreme Court in 2009 declaring that they were victims of reverse discrimination. In that case, a group of firefighters took an exam required for promotion and although care was taken to make sure the exam was fair and nondiscriminatory, no African American firefighters passed the exam. They threatened to sue the city, claiming disparate impact. In an effort to prevent a lawsuit, the city threw out the exam and didn't certify any firefighters for promotion. The white firefighters and two Hispanic firefighters who passed the test filed a complaint that they suffered reverse discrimination due to their race. The Supreme Court ruled that the city had indeed violated Title VII and that throwing out the results of the exam was discriminatory.

The implications of these cases may be somewhat confusing. It's necessary to understand that any HRM practice may be challenged by anyone. HRM must be able to defend its practices if necessary and explain the basis and the parameters on which the decisions were made. Failure to document or to base the decisions on business necessities may lead to serious challenges to the action taken.

Preventing Discriminatory Practices

The number of laws and regulations makes it critical for HRM to stay informed on the best way to prevent discriminatory practices in the workplace and train managers and supervisors in the latest laws. The best prevention is an organizational culture that encourages equal employment opportunity, tolerance, acceptance, and good communication.

Uniform Guidelines on Employee Selection Procedures

In 1979, several government agencies with responsibilities for enforcing equal employment laws issued a document called Uniform Guidelines on Employee Selection Procedures. This document makes it clear that HR hiring policies and employee selection procedures must be tied to specific job-related factors and cannot be discriminatory. It also outlines the requirements necessary for employers to prove that hiring and employee selection practices observe equal employment laws. In addition, it addresses standards for employment testing that are not biased against or in favor of any particular group and provides ways to determine if an employment test or qualification is valid. The Uniform Guidelines are not law, but are referenced by courts in cases of employment discrimination.[41]

Determining Potential Discriminatory Practices

adverse impact
A consequence of an employment practice that results in a greater rejection rate for a minority group than for the majority group in the occupation.

Adverse Impact The concept of **adverse impact** refers to employment practices such as a test or requirement that seems neutral, but has the effect of discriminating against a protected group. As an example of an adverse impact, many years ago, police departments had a height requirement that required applicants to be 5′ 10″ or taller. The requirement eliminated women and men of some ethnic groups at higher rates than Caucasian men, significantly reducing job opportunities for them. The courts found no evidence of tall officers being more effective at law enforcement than shorter colleagues. Some requirements such as strength or aptitude tests may result in a disproportionate number of applicants from protected groups being disqualified from consideration unintentionally. This puts greater responsibility on the employer to prove that the requirement is necessary.

adverse (disparate) treatment
An employment situation where protected group members receive treatment different from other employees in matters such as performance evaluations and promotions.

Adverse (Disparate) Treatment Adverse treatment occurs when an employer intentionally treats an applicant or employee differently because of a characteristic protected by law. For example, if employees who request time off to attend religious services have their work scrutinized more carefully than other employees or women applicants are required to pass a strength or agility test not required of male applicants, **adverse treatment** has occurred.

4/5ths rule
A rough indicator of discrimination, this rule requires that the number of minority members a company hires must equal at least 80 percent of the majority members in the population hired.

The 4/5ths Rule One of the first measures of determining potentially discriminatory practices is called the **4/5ths rule**. Issued by the EEOC in its Uniform Guidelines on Employee Selection Procedures, the 4/5ths rule helps assess whether an adverse impact has occurred. Of course, the 4/5ths rule is not a definition of discrimination. It is, however, a quick analysis to help assess HR practices in an organization. Moreover, in applying the 4/5ths rule, the Supreme Court ruled in *Connecticut v. Teal* (1984) that decisions in each step of the selection process must conform to the 4/5ths rule.[42]

To see how the 4/5ths rule works, suppose there are two pools of applicants for jobs as management information systems analysts. The applicants' backgrounds reflect the following: 40 applicants are classified in the majority and 15 applicants are classified as members of minority populations. After the testing and interview process, 22 majority and 8 minority members are hired. Is the organization in compliance? Exhibit 3-5 provides the analysis. In this case, we find that the company is in compliance; that is, the ratio of minority to majority members is 80 percent or greater (the 4/5ths rule). Accordingly, even though fewer minority members were hired, no apparent discrimination has occurred. Exhibit 3-5 also shows the analysis of an organization not in compliance.

Remember, whenever the 4/5ths rule is violated, it indicates only the potential that discrimination may have occurred. Many factors can enter in the picture. Should the analysis show that the percentage is less than 80 percent, more elaborate statistical testing must confirm or deny adverse impact. For instance, if Company A finds a way to keep most minority group members from applying in the first place, it need hire only a few of them to meet its 4/5ths measure. Conversely, if Company B actively seeks numerous minority group applicants and hires more than Company A, it still may not meet the 4/5ths rule.

In Compliance

Majority Group (Maj) = 40 Applicants			Minority Group (Min) = 15 Applicants			
Item	**Number**	**Percent**	**Item**	**Number**	**Percent**	**%Min/%Maj**
Passed test	30	75%	Passed test	11	73%	73%/75% = 97%
Passed interview	22	73%	Passed interview	8	72%	72%/73% = 98%
Hired	22	100%	Hired	8	100%	100%/100% = 100%
Analysis	22/40 =	55%	Analysis	8/15 =	53%	

Ratio of minority/majority 53%/55% = 96%

Not In Compliance

Majority Group (Maj) = 40 Applicants			Minority Group (Min) = 15 Applicants			
Item	**Number**	**Percent**	**Item**	**Number**	**Percent**	**%Min/%Maj**
Passed test	30	75%	Passed test	11	73%	73%/75% = 97%
Passed interview	22	86%	Passed interview	4	36%	36%/86% = 41%
Hired	26	100%	Hired	4	100%	100%/100% =100%
Analysis	26/40 =	65%	Analysis	4/15 =	26%	

Ratio of minority/majority 26%/65% = 40%

Exhibit 3-5
Applying the 4/5ths Rule

Although all the numbers may look intimidating, the concept of the 4/5ths rule is pretty simple. If the percentage of minority employees hired is 80 percent or more of the number of nonminorities hired, the company is in compliance with the rule. If the percentage is under 80 percent, it indicates the company may have discriminated against minority applicants, and further research is indicated.

Restricted Policy A restricted policy occurs whenever HRM activities exclude a class of individuals. For instance, assume a company is restructuring and laying off an excessive number of employees over age 40. At the same time, the company is recruiting for selected positions on college campuses only. Because of economic difficulties, this company wants to keep salaries low by hiring people just entering the workforce. Those over age 39 who were making higher salaries are not given the opportunity to even apply for these new jobs. These actions may indicate a restricted policy. That is, through its hiring practice (intentional or not), a class of individuals (in this case, those protected by age discrimination legislation) has been excluded from consideration.

Geographical Comparisons In this instance, the characteristics of the potential qualified pool of applicants in an organization's hiring market are compared to the characteristics of its employees. If the organization has a proper mix of individuals at all levels in the organization that reflects its recruiting market, then the company is in compliance. Additionally, that compliance may assist in fostering diversity in the organization. The key factor here is the qualified pool according to varying geographic areas.

McDonnell-Douglas Test Named for the ***McDonnell-Douglas Corp. v. Green*** 1973 Supreme Court case,[43] this test provides a guideline for the employee to establish a strong case of discrimination. Four components must exist[44]:

1. The individualzis a member of a protected group.
2. The individual applied for a job for which he or she was qualified.
3. The individual was rejected.
4. The employer, after rejecting this applicant, continued to seek other applicants with similar qualifications.

McDonnell-Douglas Corp. v. Green
Supreme Court case that led to a four-part test used to determine if discrimination has occurred.

If these four conditions are met, the employee filing the complaint has established a prima facie (Latin for "at first sight") case of discrimination. At this point, the burden of proof shifts to the employer to prove that there was a legitimate reason for rejecting the applicant that was not discriminatory.

Affirmative Action Plans Long-standing discriminatory practices resulted in some employers and some professions with little to no diversity. **Affirmative action** programs were established in an effort to encourage those employers to actively seek a more diverse workforce. Many employers have voluntarily established their own programs. Executive order 11,246 requires employers with contracts for $50,000 or more

affirmative action
A practice in organizations that goes beyond discontinuance of discriminatory practices to include actively seeking, hiring, and promoting minority group members and women.

with the federal government to have an affirmative action plan for women and minorities. Other laws require plans to hire qualified veterans and individuals with disabilities.[45] To comply, an employer must analyze the demographics of the current workforce. Those demographics are compared to the composition of the community from which it recruits. If the workforce resembles the community for all job classifications, then the organization may be demonstrating that its affirmative action program is working. If, however, there are differences, the organization should establish goals and timetables for correcting the imbalance and have specific plans for recruiting and retaining protected group members. If it does not, it can lose the right to contract with the government for goods and services.

Organizations that find an imbalance may actively search for qualified minorities by revising recruiting methods in a variety of ways. There are several ways to do this:

- Ask employees who are in an underrepresented group to help recruit.
- Participate in job fairs at colleges, universities, places of worship, social clubs, and community-based organizations where minorities are in a majority or in attendance.
- Advertise in community bulletins for clubs, sororities, fraternities, and places of worship where minorities are in a majority.
- Place job ads on social media, television, radio, websites, and in newspapers and magazines that target a particular demographic.[46]

Enforcing Equal Opportunity Employment

Two U.S. government agencies are primarily responsible for enforcing equal employment opportunity laws. They are the EEOC and the OFCCP.

The Role of the EEOC

Any complaint filed against an employer regarding discrimination based on race, religion, color, sex, national origin, age, qualified disabilities, or wages due to gender falls under the jurisdiction of the EEOC. The EEOC is the enforcement arm for Title VII of the 1964 Civil Rights Act, the Equal Pay Act, the ADEA, the Vocational Rehabilitation Act of 1973, the Americans with Disabilities Act, and the Civil Rights Act of 1991. The EEOC requires that charges typically be filed within 180 days of an alleged incident[47] and that these charges be written and sworn under oath. Once the charges have been filed, the EEOC may progress (if necessary) through a five-step process[48]:

1. The EEOC will notify the organization of the charge within 10 days of its filing and then begin to investigate the charge to determine if the complaint is valid. The company may simply settle the case here, and the process stops.
2. The EEOC will notify the organization in writing of its findings within 120 days. If the charge is unfounded, the EEOC's process stops, the individual is notified of the outcome, and the EEOC informs the individual that he or she may still file charges against the company in civil court (called a right-to-sue notice). The individual has 90 days on receipt of the right-to-sue notice to file his or her suit.
3. If there is justification to the charge, the EEOC will attempt to correct the problem through informal meetings with the employer. Again, the company, recognizing that discrimination may have occurred, may settle the case at this point.
4. If the informal process is unsuccessful, the EEOC will begin a formal settlement meeting between the individual and the organization (called a mediation meeting). The emphasis here is to reach a voluntary agreement between the parties.
5. Should Step 4 fail, the EEOC may file charges in court.

It's important to note that while acting as the enforcement arm of Title VII, the EEOC has the power to investigate claims, but it has no power to force organizations to cooperate. The relief that the EEOC tries to achieve for an individual is regulated by Title VII. If the allegation is substantiated, the EEOC attempts to make the individual whole. That is, under the law, the EEOC attempts to obtain lost wages or back pay, job reinstatement, and other rightfully due employment factors (for example, seniority or benefits). The individual may also recover attorney fees. However, if the discrimination is intentional, other damages may be awarded. Under no circumstances may the enterprise retaliate against an individual filing charges—whether or not the person remains employed by the organization. The EEOC monitors that no further adverse action against that individual occurs.

The EEOC is staffed by five presidentially appointed commissioners and staff counsels. It is generally well known that the EEOC is quite understaffed in its attempt to handle nearly 100,000 cases each year.[49] Consequently, the EEOC began prioritizing cases in the mid-1990s, attempting to spend more time on cases that initially appear to have

CONTEMPORARY CONNECTION

EEOC Reaches Out to Young Workers

Remember your first job? The one where you received your first real pay that wasn't from Mom and Dad? If you're like most young workers, there's a lot you probably didn't know about the world of work at that point. Many young workers are shy about even asking how much they will make per hour and find out only when they receive that first check.

Radius/SuperStock

Unfortunately, youth and inexperience makes young workers easy targets for sexual harassment and employment discrimination. Consider these situations:

- A 16-year-old girl working at a Burger King franchise tried to complain when her 35-year-old manager made suggestive comments, rubbed up against her, and tried to kiss her. The manager became mad when she complained, fired her, rehired her, and continued the harassment. When the girl couldn't find a number to report the manager to the franchise owner, her mother went to the restaurant and discussed the situation with a shift supervisor. The manager became angry and the girl was fired again. The courts found that the franchise owner made it difficult for the girl to find a number to report the abuse and found in favor of the girl.[51]
- Three girls, including two 17-year-old high school students, employed at a Jiffy Lube franchise complained that supervisors and coworkers made lewd gestures and sexually explicit comments. The franchise was ordered to pay $300,000 to the three employees.[52]
- Two young men were told that Walmart had no positions available for them because they were deaf. Five years after complaining to the EEOC, the young men were each awarded $66,250 in back pay, positions at the store, seniority from the time they originally applied, and a sign language interpreter for orientation, training, and meetings. Walmart was also ordered to pay legal fees and make many modifications to their hiring and training processes to accommodate people with disabilities.[53]

"Teens are particularly vulnerable because they are new to the workplace, they are impressionable, and are more likely than not to be at the bottom rung," says Jocelyn Samuels, Vice President for education and employment with the National Women's Law Center. "They feel less authorized to complain and they may not know that procedures are available to them."[54]

The EEOC has taken up the cause of young workers' rights with a website called "Youth At Work" at http://youth.eeoc.gov. The site includes information on employee rights using real cases and interactive self-quizzes.

Things to think about:

How can organizations effectively protect young workers from exploitation from discrimination and sexual harassment? Can you suggest other groups that are likely targets of discrimination and would benefit from increased communication from the EEOC?

The EEOC prioritizes its cases to spend more time on those that have the greatest significance.

merit. Furthermore, its enforcement plans are prioritized, with cases in which "alleged systematic discrimination has broad impact on an industry, profession, company, or geographic location" receive the highest priority.[50] Under these new EEOC directions, it's more important than ever for HRM to investigate the complaints internally, communicate openly with the EEOC regarding the priority level of the complaint, and evaluate selecting and testing methods to ensure validity.

Office of Federal Contract Compliance Program (OFCCP)

In support of Executive Order 11246, the OFCCP enforces the provisions of this order (as amended), as well as Section 503 of the Vocational Rehabilitation Act of 1973 and the Vietnam Veterans Readjustment Act of 1974.[55] Provisions of the OFCCP apply to any organizations including universities that have a federal contract or act as a subcontractor on a federal project. The OFCCP operates within the U.S. Department of Labor. Similar to the EEOC, the OFCCP investigates allegations of discriminatory practices and follows a similar process in determining and rectifying wrongful actions. One notable difference is that the OFCCP has the power to cancel an enterprise's contract with the federal government if the organization fails to comply with EEO laws.[56]

Sexual Harassment

sexual harassment
Anything of a sexual nature that creates a condition of employment, an employment consequence, or a hostile or offensive environment.

Sexual harassment wasn't specifically mentioned as a form of discrimination in Title VII of the Civil Rights Act, but in 1980, the EEOC issued guidelines declaring that sexual harassment is a violation of Title VII, explained criteria for identifying sexual harassment, warned employers of their liability, and suggested steps to prevent it.[57] Sexual harassment can be regarded as any unwanted activity of a sexual nature that affects an individual's employment. Verbal or physical conduct toward an individual is sexual harassment if it

1. creates an intimidating, offensive, or hostile environment;
2. unreasonably interferes with an individual's work; or
3. adversely affects an employee's employment opportunities.

quid pro quo harassment
Some type of sexual behavior is expected as a condition of employment.

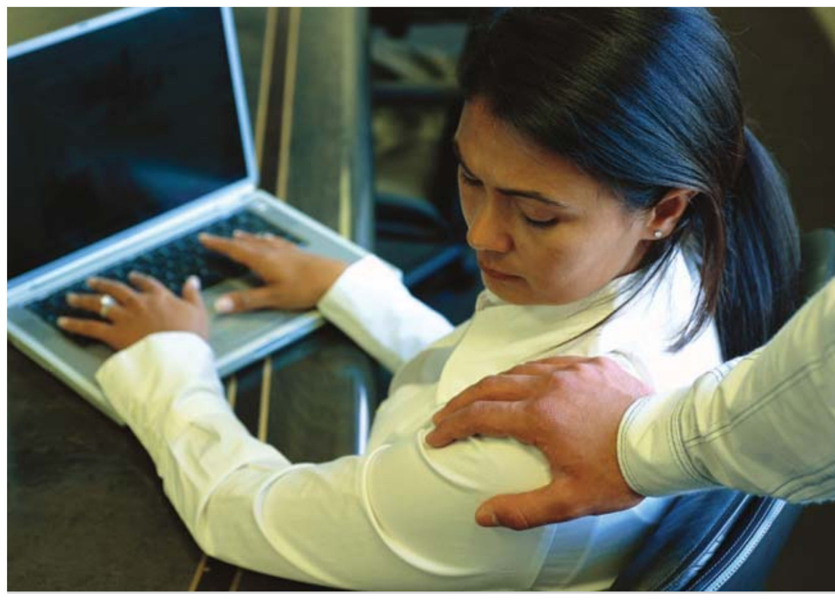
Two types of sexual harassment have been established. The first, **quid pro quo harassment**, is when some type of sexual behavior is expected as a condition of employment. This would include being told a job or receiving a raise or promotion depends on submitting to sexual advances or granting sexual favors; that's sexual harassment, pure and simple. Also if an employee gains job advantages in exchange for sex, it's considered discrimination against other employees, and that's illegal conduct as well.

hostile environment harassment
Offensive and unreasonable situations in the workplace that interfere with the ability to work.

The second, **hostile environment harassment**, is when a working environment is so offensive that it unreasonably interferes with an employee's ability to work. Examples include sexually explicit language or inappropriate comments in the workplace, e-mail, or social media; unwelcome and inappropriate comments on an employee's appearance; continually making negative comments on gender's inferiority or continually asking for dates from someone who clearly is not interested. If the situation makes the workplace so uncomfortable that the employee finds it difficult to work, it's harassment.

Victims had little recourse until a couple of court cases made it clear that it was the employer's responsibility to protect employees from sexual harassment in the workplace. In *Meritor Savings Bank v. Vinson* Mechelle Vinson initially refused the sexual advances of her boss; she eventually gave in because she was afraid of losing her job. Pressure for increased sexual activity from Vinson's boss, Sidney Taylor, escalated until Vinson took medical leave and was fired. In 1986, the Supreme Court issued an opinion that Vinson had been a victim of hostile environment sexual harassment even though she did not suffer any economic injury.[58] In addition to supporting hostile environment claims, the Meritor case along with *Faragher v. City of Boca Raton* held employers liable for sexual harassment in the workplace, by coworkers, managers, and even customers![59]

Victims no longer have to prove that their psychological well-being is seriously affected. The Supreme Court ruled in 1993 in the case of *Harris v. Forklift Systems, Inc.*, that victims need not suffer substantial mental distress to merit a jury award. In June 1998, the Supreme Court ruled that sexual harassment may have occurred even if the employee had not experienced any "negative" job repercussions. In this case, Kimberly Ellerth, a marketing assistant at Burlington Industries, filed harassment charges against her boss because he "touched her, suggested she wear shorter skirts, and told her during a business trip that he could make her job 'very hard or very easy.'" When Ellerth refused, the harasser never "punished" her. In fact, Kimberly even received a promotion during the time the harassment was ongoing. The Supreme Court's decision in this case indicates that "harassment is defined by the ugly behavior of the manager, not by what happened to the worker subsequently."[60]



Noel Hendrickson/Masterfile

Is what you see in the picture sexual harassment? If the employee believes her supervisor's action interferes with her work and she has asked for the offensive behavior to stop and it hasn't, then she may be experiencing sexual harassment. Actions like this may be part of the reason why more than 20 percent of all working women have reported instances of sexual harassment at work.

Although offering or demanding sexual favors in return for rewards in the workplace clearly qualifies as sexual harassment or sex discrimination, hostile environment discrimination can be a little harder to identify. Conduct that "has the purpose or effect of unreasonably interfering with another employee's job performance or creating an intimidating, hostile, or offensive work environment" can depend on the opinions and culture of the people in the organization and the environment in which they work. It's best to be extremely cautious. Just because a coworker laughs along with a tasteless joke doesn't mean he or she doesn't consider it offensive and the workplace to be hostile. The concept of harassment and a hostile environment extends to any individual that belongs to a group protected by law from employment discrimination. Making jokes or rude comments about a person's age, ethnicity, color, disability, religion, or any other protected characteristic can create a hostile environment.

Employers have a responsibility to provide a workplace free of intimidation and harassment. These steps are a guide for creating policies and procedures that will protect employees and the employer:

1. ***Issue a sexual harassment policy describing what constitutes harassment and what inappropriate behavior is.*** Just stating that harassment is unacceptable at your organization is not enough. This policy must identify specific unacceptable behaviors. The more explicit these identifications, the less chance of misinterpretation later on.
2. ***Institute a procedure to investigate harassment charges.*** Tell all employees whom to contact with harassment complaints, and provide multiple ways to complain. Supervisors shouldn't be the only person to tell. The supervisor may be the harasser. Communicate the information clearly to all employees.
3. ***Inform all employees of the sexual harassment policy.*** Educate employees (via training) about the policy and how it will be enforced. Don't assume that the policy will convey the information simply because it is a policy. It must be effectively communicated to all employees. Some training may be required to help in this understanding.
4. ***Train management personnel in how to deal with harassment charges and what responsibility they have to the individual and the organization.*** Poor supervisory

ETHICAL ISSUES IN HRM

How Bad Does It Have to Be?

Have you ever been the victim of workplace harassment that was directed at you because of your gender or another characteristic? It usually isn't the action of just one individual, often it's the culture of the employer or department that makes the harasser comfortable in his or her actions. The negative effects of harassment extend beyond the employee being harassed. The company often feels the effects of low morale, decreased productivity, and fewer benefits of a diverse workforce. A culture that permits or ignores harassment is dysfunctional and is evident to customers, vendors, investors, and prospective employees. Customers that are not turned off by the negative atmosphere may be driven away by the poor quality of customer service resulting from low morale.

Knowing what is and what is not acceptable and being sensitive to others' feelings is extremely important. Policies and procedures for harassment need to be clearly communicated. Supervisors or coworkers must report any harassing behavior they observe. Managers need to take complaints seriously and investigate all claims of harassment. Education and training play an important role in cultivating an environment free of harassment.

But what if you believe you are being harassed? Anyone can be a victim. Telling the offender to stop might be enough. That person may be unaware of your sensitivity to the language, jokes, e-mails, or other behavior. If that doesn't work, report the behavior to your supervisor or another manager, to labor or employee relations, or to the president of the company if you have to. Some people may fear that their complaints will be ignored or that reporting an incident will cause future problems. Neither should happen. Most companies take all complaints of sexual harassment seriously and investigate each thoroughly and discreetly. Retaliation against accusers is prohibited.[61]

Ethical questions:

What are your own limits concerning questionable language, jokes, or teasing? Do you have the same standards in the workplace? What are your views of those whose standards are either more or less tolerant of questionable language, jokes, or teasing? How might these differences in perspective cause problems?

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practices in this area can expose the company to tremendous liability. Managers must be trained in how to recognize signs of harassment and where to go to help the victim. Supervisors should know that even if an employee asks them not to tell anyone because the employee is afraid of retaliation, the supervisor needs to take action.

5. ***Investigate all harassment charges immediately.*** All means all—even those that you suspect are invalid. You must give each charge of harassment your attention and investigate it by searching for clues, witnesses, and so on. Investigating the charge is also consistent with our societal view of justice. Remember, the alleged harasser also has rights. These, too, must be protected by giving the individual the opportunity to respond. You may also have an objective party review the data before implementing your decision.
6. ***Take corrective action as necessary.*** Discipline the harassers and "make whole" the harassed individual. If the charge can be substantiated, you must take corrective action, up to dismissing the harasser. If termination is too harsh for the situation, a written warning should explain the situation and clearly indicate further inappropriate behavior will result in termination. The harassed individual should also be given whatever was taken away. For example, if the sexual behavior led to an individual's resignation, making the person whole would mean reinstatement, with full back pay and benefits.
7. ***Continue to follow up on the matter to ensure that no further harassment occurs or that retaliation does not occur.*** One concern individuals have in coming forward with sexual harassment charges is the possibility of retaliation against them especially if the harasser has been disciplined. Make sure that actions taken such as transfers or reassignments to new jobs or different shifts are not seen as retaliation by the victim. Continue to observe what affects these individuals through follow-up conversations with them.

If a sexual harassment claim goes to trial, courts want to know two things: Did the organization know about, or should it have known about the alleged behavior; and what did management do to stop it?

8. ***Periodically review turnover records to determine if a potential problem may be arising.*** (This may be EEO audits, exit interviews, and the like.) A wealth of information at your disposal may offer indications of problems. For example, if only minorities are resigning in a particular department, it may indicate that a serious problem exists. Pay attention to your regular reports and search for trends that may be indicated.
9. ***Don't forget to privately recognize individuals who bring these matters forward.*** Without their courageous effort, the organization might have faced with tremendous liability. These individuals took a risk in coming forward. You should show your appreciation for that risk. Besides, if others know that such risk is worthwhile, they may feel more comfortable in coming to you when any type of problem exists.

Current Issues in Equal Employment

As employment law evolves to respond to the dynamic environment of HRM, legal issues arise as employees seek to clarify and assert their rights. Let's take a look at several evolving employment issues including comparable worth, English-only laws, sexual orientation discrimination, and current trends in state and local laws.

Comparable Worth and Equal Pay Issues

Previously, we discussed the pay gap between men and women. Women are gaining equality slowly, but still earn approximately 80 percent of men's salaries. **Comparable worth** addresses the issues of pay discrepancies of jobs and careers traditionally held by women as compared to those traditionally held by men. For instance, a nurse may be judged to have a comparable job to that of a police officer. Both must be trained, both are licensed to practice, both work under stressful conditions, and both must exhibit high levels of effort. But they are not typically paid the same; male-dominated jobs have traditionally been more highly paid than female-oriented jobs.

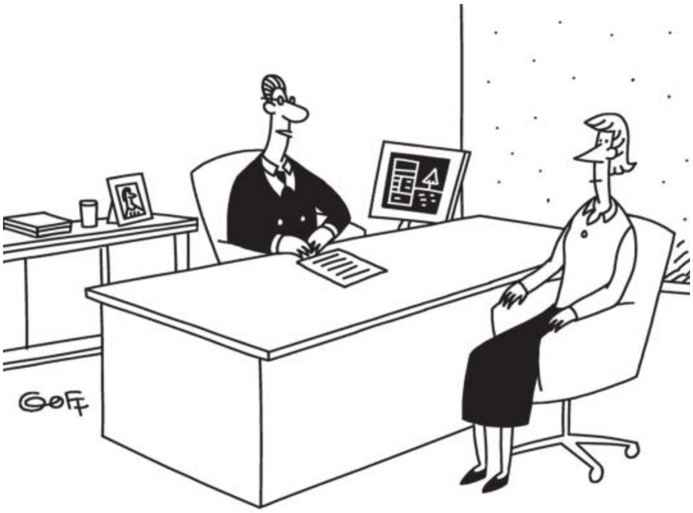
comparable worth
Equal pay for jobs similar in skills, responsibility, working conditions, and effort.

Under comparable worth, estimates of the importance of each job are used in determining and equating pay structures. The 1963 Equal Pay Act requires that workers doing essentially the same work must initially be paid the same wage. Later wage differences may exist due to performance, seniority, or merit systems. The act, however, is not directly applicable to comparable worth. Comparable worth proponents want to take the Equal Pay Act one step further. Under such an arrangement, factors present in each job (for example, skills, responsibilities, working conditions, effort) are evaluated. A pay structure is based solely on the presence of such factors on the job. The result is that dissimilar jobs equivalent in terms of skills, knowledge, and abilities are paid similarly.

The point of the comparable worth issue revolves around the economic worth of jobs to employers. If jobs are similar, even though they involve different occupations, why shouldn't they be paid the same? The concern here is one of pay disparities: Women still earn less than men. While the disparity is lessening, the fact remains that despite significant progress in affirmative action for women, many may have reached a plateau in their organization. That is, laws may prohibit organizations from keeping qualified women out of high-paying positions, but a "glass ceiling" appears to be holding them down.

The **glass ceiling** is an analogy explaining why women and minorities aren't more widely represented at the top of today's organizations. The expression depicts an image of a woman, minority, or other protected group, who can see the next step on the climb up the corporate ladder, but is unable reach it because there is a glass ceiling in the way. According to the Glass Ceiling Commission, it indicates "institutional and psychological practices, and the limited advancement and mobility of men and women of diverse

glass ceiling
The invisible barrier that blocks women and minorities from ascending into upper levels of an organization.



"We completely disregard gender when offering compensation. Unless you're the wrong gender."

©2009 Ted Goff

Exhibit 3-6
Equal Pay Issues

Women are gaining equality slowly, but still earn approximately 80 percent of men's salaries.

racial and ethnic backgrounds." It appears that despite significant gains by minorities and women in entry to organizations, women hold less than 15 percent of senior management positions in the United States.[62] Women in other parts of the world fare a little better. The percentage of women in senior managerial positions worldwide was approximately 20 percent in 2010, virtually unchanged from 5 years ago. Women in Thailand lead the world, holding 45 percent of senior management jobs, followed by 36 percent in Russia, Hong Kong, and the Philippines. The toughest country for women to gain a top management position? Japan, where only 10 percent of top management positions are held by women.[63]

To begin to correct this invisible barrier, the OFCCP is expanding its audit compliance reviews. In these reviews, the auditors look to see if government contractors do indeed have training and development programs operating to provide career growth to the affected groups. Should these be lacking, the OFCCP may take legal action to ensure compliance. For example, an audit of the Coca-Cola Company revealed several violations. Consequently, Coca-Cola, while admitting no wrongdoing, made several internal changes to improve the career opportunities of both women and minorities.[64] Beyond those organizations covered under the OFCCP, several are implementing policies and changing the organization's culture to enhance opportunities for women and minorities (Exhibit 3-6).

Sexual Orientation

Protection against discrimination because of an employee's sexual orientation or gender identity is not provided by federal law like other sex-based discrimination protected by Title VII. Federal employees are protected from sexual orientation discrimination by Executive Order 13087 as are employees in 21 states and the District of Columbia. A number of other states provide limited protection, and many cities and municipalities provide protection as well. Corporate America is increasingly implementing policies that prohibit discrimination based on sexual orientation for lesbian, gay, bisexual, and transgendered (LGBT) employees. Over 90 percent of Fortune 500 companies prohibit discrimination based on sexual orientation, 61 percent prohibit discrimination based on gender identity, and 62 percent provide domestic partner health insurance benefits to their employees.[65]

Although sexual orientation is not protected by federal law, claims for nontraditional workplace harassment, including same sex harassment, are on the increase. This may be the result of claims filed by employees who are victims of harassment because they do not fit traditional gender stereotypes for behavior or dress and file claims based on gender discrimination.[66]

A related issue that may arise involves conflicts between sexual orientation discrimination and accommodation of religious beliefs of employees who do not approve of the lifestyle of another employee. Employees may cite religious beliefs as a refusal to work with LGBT employees or clients or to participate in diversity training. Refusal to work with another employee because of sexual orientation may qualify as an undue hardship, especially if sexual orientation is protected by law in that state.[67]

English-Only Laws and Policies

Can an organization require its employees to speak only English on the job? The answer is a definite "maybe." Title VII protects employees from national origin discrimination, so employers must allow employees to converse in their native languages. On the other hand, employers may have the need to have a common language spoken at the work site during business hours.[68] Employers must be able to communicate effectively with all employees, especially when safety or productive efficiency matters are at stake.[69] This, they claim, is a business necessity.

English-only rules may be permitted if they are a valid job requirement. For example, an employer may be concerned that some workers may use bilingual capabilities to harass and insult other workers in a language they cannot understand. English-only rules serve as one means of reasonable care to protect workers from hostile environment harassment.

Workers in today's organizations come from all nationalities and speak different languages. More than 30 million workers in the United States speak a language other than English. Employers need to balance respect for diversity, inclusion, employees desire to speak their language, communicate effectively with their peers, and maintain their cultural heritage. To them, English-only rules are discriminatory in terms of national origin in that they create an adverse impact for non-English-speaking individuals.[70]

Appearance and Weight Discrimination

The statistics on pay differences leave little doubt that employers discriminate against people who are heavier than average. Heavy workers are paid an average of $1.25 an hour less than their average-size counterparts. Women who are slightly heavier than average-weight women earn 6 percent less, and very heavy women make 24 percent less.[72] One study found that obese workers are perceived as less intelligent, so their ideas may not carry the same influence as average size workers, affecting hiring, pay, and promotion decisions. Discrimination based on weight and appearance isn't likely to end soon. Federal equal employment laws don't protect weight or appearance, and Michigan is the only state that has a law protecting workers from weight-related discrimination.

ETHICAL ISSUES IN HRM

English-Only Rules

Central Station Casino in Colorado instituted an "English-Only" policy for their housekeeping department after a non–Spanish-speaking employee thought that other employees were talking about her in Spanish. The policy was defended as necessary for safety reasons. To enforce the policy, managers and non-Hispanic employees would shout "English, English!" at Hispanic employees when they encountered them in the halls of the hotel. Because of the embarrassment and distress this caused, the Hispanic employees filed a complaint with the EEOC.[71]

The EEOC settled the Central Station Casino complaint with a settlement of $1.5 million awarded to the Hispanic employees. Central Station Casino was directed to inform all employees that there was no English-only policy and provide training to ensure that discrimination does not occur.

Ethical questions:

Should employers be permitted to require that only English be spoken in the workplace? Would it make a difference if it were a family-owned Chinese restaurant? What if it is necessary for successful performance or to prevent a safety or health hazard? Should the Supreme Court view this as a discriminatory practice or render a decision that would create a single, nationwide standard on English-only? What do you think about this issue?

T. Ozonas/Masterfile

As mentioned in our discussion of adverse impact, weight and height requirements must be related to job performance, and employers may be concerned that excess weight may limit an applicant's ability to do the job.[73]

Workers with other appearance issues such as piercings and tattoos are having a little better luck, but very little. Piercings and tattoos are only protected if they are worn for religious reasons, therefore protected by Title VII.[74]

HRM in a Global Environment

Unfortunately, there are not enough pages in this text to adequately cover the laws affecting HRM in any given country. What we can do, however, is to highlight some of the differences and suggest that you need to know the laws and regulations that apply in your locale. To illustrate how laws and regulations shape HRM practices, we can highlight some primary legislation that influences HRM practices in China, Canada, India, Australia, and Germany.

China

Equal Employment Laws in China resemble those in the United States in the 1950s. Applicants are commonly asked questions about age, height, weight, and parents' employment. In some cases, applicants are even asked their blood type, based on theories that it indicates personal characteristics, similar to the way people believe astrological signs indicate personality. The China Employment Promotion Law allowing workers to file discrimination lawsuits against employers was passed in 2008, but progress has been slow.[75]

Although China's first law against sexual harassment of women in the workplace was passed in 2007, at least 20 percent of women workers in China say that they have been victims of sexual harassment. Less than half of those women report the abuse for fear of losing their jobs and women who report harassment to authorities have a less than 30 percent chance of having the complaint ruled in their favor.[76]

Canada

Canadian laws pertaining to HRM practices closely parallel those in the United States. The Canadian Human Rights Act provides federal legislation that prohibits discrimination on the basis of race, religion, age, marital status, sex, physical or mental disability, or national origin. This act governs practices throughout the country. Canada's HRM environment, however, differs somewhat from that in the United States in that more lawmaking is done at the provincial level in Canada. For example, discrimination on the basis of language is only prohibited in Quebec.

Women in China rarely report discrimination or sexual harassment because of fears of retaliation by employers.

Lou Linwei/Alamy

India

Over 26 percent of women workers in India report that they have been victims of sexual harassment.[77] India's Supreme Court recently declared sexual harassment to be illegal under a constitutional guarantee of the right to gender equity and requires all employers with more than 50 employees to have a sexual harassment prevention policy. These protections do not seem to be a match for a culture that doesn't take it seriously. Caste-based discrimination remains a barrier to equal employment in spite of legal and constitutional protection, reaffirming that ancient cultures are slow to change.

Australia

Australia's discrimination laws were not enacted until the 1980s. The laws that exist, however, generally apply to discrimination and affirmative action for women. Yet gender opportunities for women in Australia appear to lag behind those in the United States. In Australia, a significant proportion of the workforce is unionized. The higher percentage of unionized workers has placed increased importance on industrial relations specialists in Australia and reduced the control of line managers over workplace labor issues. In 1997, Australia overhauled its industrial labor relations laws with the objective of increasing productivity and reducing union power. The Workplace Relations Bill gives employers greater flexibility to negotiate directly with employees on pay, hours, and benefits. It also simplifies regulation of labor–management relations.

Germany

The General Equal Treatment Act was passed in 2006 to fulfill European Union guidelines. The act made it easier to prosecute employers for discrimination against women in the workplace. German women make 77 percent less than men, and even under the new law, it's still difficult to take an employer to court because of a high burden of proof on the plaintiff. The wage gap hasn't changed much since the law was implemented, and the ratio of women to men in senior management positions remains low.

Summary

(This summary relates to the Learning Outcomes identified on page 51.) After having read this chapter, you can now:

1. **Explain how Title VII of the Civil Rights act of 1964 and the Civil Rights Act of 1991 protect employees from discrimination and the exceptions that are allowed.** The Civil Rights Act of 1964, Title VII, protects individuals from discriminatory employment decisions made on the basis of race, color, religion, sex, and national origin. The Civil Rights Act of 1991 addressed racial discrimination and harassment, required employers to prove that discrimination did not occur, and allowed victims to seek compensatory and punitive damages. Exceptions to discriminatory practices include business necessity, bona fide occupational qualifications, and seniority systems.
2. **Outline the amendments, laws, and executive orders that have expanded, limited, and clarified equal rights in the workplace.** The Equal Employment Opportunity Act established the EEOC and enforces federal employment laws. Executive orders are issued by the president to prevent discrimination. Laws include the ADEA, Equal Pay Act, Pregnancy Discrimination Act, Americans with Disabilities Act, Family and Medical Leave Act, Uniformed Services Employment and Reemployment Rights Act, and Genetic Information Nondiscrimination Act.
3. **Outline the role of the Supreme Court in clarifying and enforcing employment law using examples of important cases.** Supreme Court decisions may require changes to HR policies and procedures. *Griggs v. Duke Power* required employers to make all employment testing relevant to the job being applied for. *Albemarle Paper Company v. Moody* spelled out the validation process necessary to prove employment tests actually measure job requirement. *Bakke v. The Regents of the University of California at Davis Medical School* prohibited numerical quotas for affirmative action programs. *United Steelworkers of America v. Weber* allowed race of applicants to be considered as long as other factors were also used in the selection process. *Meritor Savings Bank v. Vinson* established that the Civil Rights Act could be used for sexual harassment claims. *Faragher v. City of Boca Raton* established that an organization can be held liable for sexual harassment actions by its managers, employees, or customers.

4. **Explain how the Uniform Guidelines on Employee Selection Procedures and the concepts of adverse impact, disparate treatment, and affirmative action help employers identify and prevent discriminatory practices.** The Uniform Guidelines outline ways employers can prove that hiring practices are nondiscriminatory. Adverse impact is any consequence of employment that results in a disparate rate of selection, promotion, or termination of protected group members. Disparate treatment occurs when members of a protected group receive different treatment than other employees. Affirmative action plans are efforts by organizations to actively recruit and hire protected group members and show measurable results.
5. **Explain how equal employment laws are enforced including the complaint process.** Employee files a charge form with the EEOC within 180 days. Employer receives notification within approximately 10 days. Employer may resolve the complaint with a settlement or mediation, ending the process. EEOC investigates the complaint. If no violations are found, charges are dismissed. Employee may request a right-to-sue letter, allowing the employee to seek relief in court. If the EEOC investigation finds evidence that discrimination occurred, the EEOC will attempt to settle the complaint between the employer and employee. If a settlement cannot be reached, the EEOC or state agency may pursue legal action against the employer.
6. **Explain how employers can protect employees from two types of sexual harassment.** Sexual harassment is defined as any verbal or physical conduct toward an individual that (1) creates an intimidating, offensive, or hostile environment; (2) unreasonably interferes with an individual's work; or (3) adversely affects an employee's employment opportunities. These can be described as quid pro quo harassment that requires some type of sexual behavior as a condition of employment or hostile environment harassment that creates an offensive and unreasonable atmosphere that interferes with the ability to work. Employers have a duty to establish policies, complaint procedures, training for management, investigate charges, and take corrective action.
7. **Review current issues in equal employment.** Current issues involve comparable worth, equal pay, glass ceiling, discrimination involving sexual orientation, English-only laws, and appearance and weight discrimination.
8. **Identify legal issues faced when managing HR in a global environment.** International employment law differs widely, reflecting government and culture. Laws and wages in China are enforced loosely, and deceptive practices are widespread. Canadian laws are quite similar to U.S. laws. In India, laws are in place prohibiting sexual harassment and employment discrimination, but enforcement is rare. Australian employees are likely to be unionized, and German employees are given more representation in company decisions than most countries.

Key Terms

4/5ths rule
adverse impact
adverse (disparate) treatment
affirmative action
Age Discrimination in Employment Act (ADEA)
Albemarle Paper Company v. Moody
Americans with Disabilities Act of 1990
bona fide occupational qualification (BFOQ)
Civil Rights Act of 1964
Civil Rights Act of 1991
comparable worth
Equal Employment Opportunity Act (EEOA)
Equal Employment Opportunity Commission (EEOC)
Family and Medical Leave Act of 1993
Genetic Information Nondiscrimination Act (GINA)
glass ceiling
Griggs v. Duke Power Company
hostile environment harassment
McDonnell-Douglas Corp. v. Green
Pregnancy Discrimination Act of 1978
quid pro quo harassment
reasonable accommodations
reverse discrimination
seniority systems
sexual harassment
Title VII
Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA)

HRM Workshop

Reviewing Important Concepts

1. Describe the groups protected by Title VII of the Civil Rights Act and explain how well the act has accomplished the goal of eliminating discrimination against those groups. What would you have added to the act to make it more effective? (LO 1)
2. Select one of the cases concerning employment discrimination that seems to be most important to fairness in employment and explain your reasoning. (LO 3)
3. What is an adverse impact? How does it differ from adverse or disparate treatment? (LO 4)
4. What is meant by "reasonable accommodation" as it pertains to the Americans with Disabilities Act of 1990? (LO 2)
5. Explain why an employee might file a claim of retaliation and why retaliation claims are on the rise. (LO 1, 2, 7)
6. Explain how the two types of sexual harassment differ. (LO 6)
7. What is the purpose of the FMLA and who does it cover? (LO 2)

Evaluating Alternatives

8. "Affirmative action does not work. When you're hired under an affirmative action program, you're automatically labeled as such and are rarely recognized for the value that you can bring to an organization." Develop arguments for and against this statement. Which do you agree with and why? (LO 1, 3, 4)
9. A local employer confides to you that she secretly does Internet searches of applicants before she calls them in for interviews. She tells you that she has a very established clientele and needs to make sure her new employees "fit in." She's particularly concerned about people with visible tattoos and piercings, but explains that she's also on the lookout for bad grammar, handicaps, and people with gray hair. She explains "my customers expect a fresh, 'All-American' look here. My employees look like the boy or girl next door." Is she breaking any laws? If so, which ones and how? Can she legally avoid hiring people with any of these characteristics? (LO 1, 7)
10. Here are the answers to the questions in the chapter opener. Do you agree with them? Explain why you agree or disagree. Fred Meyer's Store: Yes and Yes. Employers may be liable if customers are permitted to make lewd comments repeatedly. Omaha Bank: Yes and Yes. Four days was a reasonable time to investigate the complaint and act on it. The reprimand was an appropriate response for the single incident.

    Avco Corp: No and Yes. Since supervisors are often harassers, there should have been another way to file a complaint and Avco should not have told the women not to file a complaint with the EEOC. Forcing the women to use sick leave and making an adverse reference in their file was illegal retaliation that occurred as a result of their complaint.

Research and Communication Skills

11. Could these situations demonstrate sexual harassment or prohibitive behaviors? Answer true or false to each question. Make whatever assumptions you need to make to form your opinion. Form into groups of three or four students and discuss each of your responses. Where differences exist, come to some consensus on the situation. You can then look at the endnote for suggested responses.[78] (LO 3, 6)
    a. A female supervisor frequently praises the work of a highly competent male employee who recently received a merit raise. His female coworkers are becoming increasingly annoyed with her behavior and envious of his raise.
    b. A female employee in a mostly male department voluntarily accepts a date with her male supervisor.
    c. A male employee is given favored work assignments in exchange for arranging dates for his boss.
    d. Male employees put rubber snakes, spiders, and mice in the lunch box of a female coworker because she screams when she is surprised by them. Male coworkers do not receive the same kind of teasing.
    e. A male has asked two female coworkers to stop embarrassing him by telling jokes of a sexual nature and sharing their sexual fantasies, but they continue, telling him a "real man wouldn't be embarrassed."
    f. Al tells Marge an offensive joke, but when Marge says "Al, I don't appreciate your nasty jokes," Al responds, "I'm sorry, Marge, you're right, I shouldn't have told that one at work."
12. Consult the EEOC website for recent lawsuits filed by the EEOC or suits that have been recently decided by the courts. You'll probably find them on the "Newsroom" page. Look for any trends in the types of suits filed or decisions of the courts. Do they seem to be focusing on any particular law? Type of employer? Size of employer? How large are the judgments? Are of any particular interest? Present your findings in either a three- to five-page paper or a three- to five-slide presentation to your class. (LO 1, 2, 3, 4, 5, 6, 7)

13. Contact your local EEO office (may be called Human Rights Commission or Fair Employment Practice Agencies). Determine what equal employment opportunity laws exist in your state that go beyond those required under federal law. Provide a two- to three-page write-up of your findings. (LO 2, 7)
14. Visit your college's EEO/Affirmative Action officer. Find out what specific EEO requirements on your campus affect students, faculty, and staff in matters such as recruiting, promotion, sexual harassment, and so on. Provide a two- to three-page write-up of your findings. (LO 1, 4)

Making a Difference SERVICE LEARNING PROJECTS

Equal employment based purely on an individual's abilities is everyone's right, yet for many it isn't a well-understood concept. Chapter 3 offers many opportunities for you to apply EEO concepts in a service activity.

- Develop a presentation for high-school or middle-school students informing them about their rights in the workplace and how to defend themselves from discrimination or harassment. Other opportunities to inform that age group might include presentations to youth groups, after-school programs, and church groups.
- Contact the office for veterans' affairs in your community or college and ask about opportunities to volunteer, to assist veterans, or to help with programs offered through the office.
- Contact the USO, National Guard, or any branch of the active military and ask about volunteer opportunities, including helping with local send-off or welcome- home ceremonies.

As you put your service learning experience together, keep a journal of your activities, the time you spend, contact information for the people you work with, and your thoughts about the process. When you're finished, make a presentation to your class about the experience and what you learned. What concepts from Chapter 3 were you able to apply?

Case Application 3-A THE BEST OF INTENTIONS

Alison Quimby, HR Director of a small manufacturing company, was surprised when Ramona Ruiz, a Quality Control Inspector, said that her supervisor has been whispering comments in her ear about how good she looks in her uniform and wonders what she wears underneath it. "I've told him to knock it off a million times, but it's getting worse and I just dread going to work. Can you do something to help?" Quimby felt awful for Ruiz and wanted to protect her from further harassment while she investigated the complaint, so she asked her to work in the warehouse until further notice so she could investigate the situation and speak to her supervisor.

An hour later, Quimby was called to the warehouse by the warehouse supervisor Bert Blackwater. Blackwater believed that Anton Mueller, a warehouse employee, had intentionally broken an expensive piece of equipment after learning he wouldn't receive any overtime because Ramona Ruiz is now working in the warehouse. Mueller had a long history of discipline issues and gripes. He had previously filed a complaint for age discrimination after his last performance appraisal meeting when Quimby warned him that he was in danger of losing his job for numerous performance deficiencies. During a disciplinary meeting in Quimby's office, Mueller started swearing at Quimby loudly, calling her names, and insulting her intelligence in extremely derogatory and sexist terms. Quimby explained that due to his prior disciplinary actions and poor performance appraisals, she was terminating his employment. Mueller stormed out of her office, shouting "Did you forget about my discrimination complaint? I'm going to prove you're out to get me. This isn't over and you're going to pay big time for your mistake!"

The next day Quimby completed her investigation of Ramona Ruiz's complaint. After interviewing Ruiz, the supervisor, and others in their department, Quimby determined that the supervisor had made several inappropriate comments to Ruiz, but her estimate that she told him to knock it off a "million times" turned out to be a total of twice in the last week. The supervisor was suspended and required to attend sexual harassment training upon his return. He apologized, agreed to those terms, and left quietly.

Quimby wasn't surprised a few days later when she was informed that Anton Mueller had filed a retaliation complaint with the EEOC claiming his firing was in retaliation for the age discrimination complaint he filed. When she explained the situation to the company's legal counsel, she also explained how she had handled the problem between Ramona Ruiz and her supervisor. The attorney seemed concerned and asked if Ruiz was still in the warehouse and where the supervisor was. Quimby explained that Ruiz was back in quality control after spending 2 days in the warehouse where she earned her regular pay rate. The supervisor had not returned to work yet. The attorney told Quimby that he would call her back in a couple of hours, closing with "we need to handle Ramona and her supervisor correctly or she could have a bigger retaliation claim than Mueller."

Questions:

1. Explain the concept of retaliation and evaluate the validity of Anton's and possibly Ramona's retaliation claims. (LO 1, 2, 6, 7)
2. Evaluate Alison's handling of the supervisor so far. How should Alison handle the supervisor's return to work? (LO 1, 6)
3. Outline a program and policy for Alison that will help to prevent further sexual harassment. (LO 1, 6)
4. **Research**: Are retaliation complaints in the United States decreasing or on the rise? Explain some reasons given for the change in number of complaints. What can employers do to prevent retaliation claims? (LO 1, 7)

Case Application 3-B DIVERSITY IS FASHIONABLE

Carla Grubb was hired at Abercrombie and Fitch for what she believed was a job on the sales floor. Instead, she found herself dusting, cleaning windows, and vacuuming the store. "I was always doing cleaning—they said I was a good window washer," said Ms. Grubb, who happens to be black. "I should have received the same treatment as everyone else. It made me feel bad. No one should be judged by the color of their skin."[79]

The EEOC agreed with Grubb and filed suit against Abercrombie and Fitch for recruiting employees based on an image the company wanted to project and staffing their stores with sales people that were overwhelmingly white and athletic, just like their advertising and in-store photos. Minority applicants found themselves hired only to do low visibility and back-of-the-store jobs such as stocking and cleaning up, often after retail hours. The company was also found to have refused to hire minority students with impressive work and school records. The percentage of minority managers at Abercrombie stores was far below industry averages.

Abercrombie settled the suit to the tune of $50 million.[80] They didn't admit any guilt, but did agree to do a better job of hiring and promoting minorities and depicting more minorities in their advertisements and catalogs.

Questions:

1. Abercrombie and Fitch attempts to maintain a trendy and youthful look in their stores to support their products. Is there a way they can maintain that look without creating an adverse impact or adverse treatment in their recruiting, screening, and hiring practices? (LO 1, 2)
2. Suggest a list of at least five things that Abercrombie and Fitch can do at the corporate and local store level to increase the number of minority applicants. Explain which of the things on your list would be most effective and why. (LO 1, 2)
3. Are there other employers that you feel need to make a better effort at diversity? Do any of the permitted exceptions to Title VII justify their lack of diversity? (LO 1)
4. **Research**: How has Abercrombie been doing lately? What evidence can you find that they are making progress toward their diversity goals? Outline any new diversity complaints against the company. (LO 1, 2, 7)

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4

Employee Rights and Discipline

Most HR professionals feel that their employee handbook and discipline policies are well thought out and comprehensive, thorough enough to cover nearly every situation and contingency; yet every year employers and employees act in ways that defy common sense, logic, or common decency. All of the following employees sought to get their jobs back. What do you think the courts said?

- A dentist sent suggestive texts to his attractive dental assistant telling her that if she saw his pants bulging, she would know her clothing was too revealing. She sent some slightly racy texts back to him. He eventually fired her because she was too attractive and was a threat to his marriage.
- An employee of an automotive parts store was fired when he failed to disconnect his phone properly after leaving a voicemail with human resources about his medical leave. The voicemail included a profanity-laced conversation that included a transaction involving illegal sale of OxyContin and Percocet.
- A college professor was fired when she made Facebook posts that were interpreted as threatening, including "Does anyone know where to find a very discreet hitman? Yes, it's been that kind of day . . ." and "had a good day today, DIDN'T want to kill even one student :-). Now Friday was a different story."

Looking Ahead

Can discipline policies be written to provide guidance in unusual situations like these? Was firing the most appropriate action to take? Turn to the HRM Workshop at the end of the chapter to see what happened.

LEARNING OUTCOMES

After reading this chapter, you will be able to:

1. Explain the employer record-keeping responsibilities and laws related to keeping and collecting employee information.
2. Discuss employer concerns about social media use and the components of an effective social media policy.
3. Identify current issues regarding employee rights.
4. Explain legal and ethical issues involved in monitoring employees in the workplace.
5. Explain the employment-at-will doctrine and relevant exceptions.
6. Explain the elements of effective discipline policies.
7. Identify important procedures to follow when firing an employee.
8. Explain how issues of employee relations differ in global environments.

Introduction

Both employees and employers have rights, and it's the responsibility of HR to sort them out when things don't go according to plan. In this chapter, we'll explore HR's role in protecting the rights of employees and employers alike. These rights are evolving as the workplace changes due to societal expectations, new technologies, and how the courts refine the way rights are applied.

Employee Records and Related Laws

The rights and responsibilities of employers and employees alike are an important part of the area of HRM that is often referred to as **employee relations**. Employee relations involve not only rights and discipline, but the quality of communication between management and employees, maintaining a positive and productive culture, providing motivation and the collective bargaining process. The first category of responsibilities we'll examine is the employer's responsibility to keep files for each employee with employment-related information. Several laws give specific protection to employees regarding these files and related employer actions. These laws include the Privacy Act, the Drug-Free Workplace Act, the Employee Polygraph Protection Act, and the Worker Adjustment and Retraining Notification Act.

employee relations
Establishing communication relationships, respecting rights, establishing discipline, handling collective bargaining and maintaining a positive and productive culture in an organization.

Employee Records

Human Resource Information Systems (HRIS) are an important tool to store employee records and make them accessible.

Employers are required to keep several different types of job-related employee information. HRIS systems have made it attractive for many employers to move to an electronic format for storing records in an effort to save space, go paperless, or become more efficient, but paper files are still common. Whether using an electronic format or sticking with a traditional paper file, employers should follow guidelines from the Department of Labor on electronic record-keeping. These include keeping records safe and accurate, accessible for inspection and easy to convert to paper copies when necessary and secure from access and tampering from unauthorized parties.[1]

What types of information should be kept? Job-related documents such as the employee's job description, application and resume, emergency contact information, IRS forms, performance appraisals, disciplinary actions, contracts, non-compete agreements, need to be kept for at least 1 year. If the employee is fired, records need to be kept a year after the date of termination. Other documents may have longer retention requirements such as pay records and records relating to the ADA or Title VII.[2]

Some records should be kept separately. Medical records and documents related to a disability should be in a separate file with very limited access. Form I-9 verifying authorization to work legally in the United States should be kept in a separate file for the U.S. Citizenship and Immigration Service (USCIS). Also anything you would not want the employee or courts to see such as comments that could be interpreted as defamatory or discriminatory should not be kept in the file.[3]

The Privacy Act

Privacy Act
Requires federal government agencies to make information in an individual's personnel file available to him or her.

The **Privacy Act of 1974** applies only to federal government agencies and requires that employment files be available to employees for inspection.[4] Many states have similar laws that apply to public and private employees. These laws cover the process necessary to request access, how long employers have to respond, and whether employees have the right to dispute the contents of the file.

The Fair Credit Reporting Act

Suppose you were in charge of hiring 50 new cashiers for the opening of a large new discount retail store. You're checking references and making criminal background checks, but just to be on the safe side, you would like to check their credit reports to make sure the applicants aren't in any financial trouble that may tempt them to be less than honest when handling cash. Can you do it? Do you need to tell anyone?

Fair Credit Reporting Act
Requires an organization to notify job candidates of its intent to check into their credit.

The answer to both questions is yes. Companies are held accountable to the **Fair Credit Reporting Act of 1971,** an extension to the Privacy Act that outlines procedures and responsibilities of organizations that use credit reports. The purpose of checking credit reports is to obtain information about the individual's "character, general reputation," and various other personal characteristics. Typically, companies can obtain this information by two approaches. The first is through a credit reporting agency, similar to the process in a loan application. In this instance, the employer must obtain permission from the individual to obtain a credit report from a credit bureau. If an applicant is rejected based on information in the report, the individual must be provided a copy of the credit report, as well as a means for appealing the accuracy of the findings. The second type of credit report is obtained through a third-party investigation. Under this arrangement, not only is the individual's credit checked, but also the applicant's friends, neighbors, and associates are interviewed regarding the applicant's lifestyle, spending habits, and character. For an organization to use this type of approach, the applicant must be informed of the process in writing and, as with the credit report, must be notified of the report's details if the information is used to negatively affect an employment decision. Keep in mind, however, that how the information is used must be job relevant. If, for example, an organization denies employment to an individual who once filed for bankruptcy, and this information has no relevance to the individual's ability to do the job, the organization may be opening itself up to a challenge in the courts.

The Drug-Free Workplace Act

Drug-Free Workplace Act
Requires specific government-related groups to ensure that their workplace is drug free.

The **Drug-Free Workplace Act of 1988** was passed to reduce substance abuse in the workplace. Under the act, all individuals with federal contracts or grants and organizations with federal grants or contracts over $100,000[5] are required to actively pursue a drug-free workplace. In addition, the act requires employees who hold certain jobs in companies regulated by the Department of Transportation (DOT) and the Nuclear Regulatory Commission to be subjected to drug tests. For example, long-haul truck drivers, regulated by the DOT, are required to take drug tests.

Employers covered under the act must establish a drug-free work environment policy and disseminate it to its employees. This policy must spell out employee expectations in terms of being substance free and explain penalties for noncompliance. In addition, the organization must provide substance-abuse awareness programs to its employees.[6] The rate of employees who test positive for drug use has dropped from nearly 14 percent to under 4 percent since the law was enacted in 1988[7], but drug use in the workplace continues to be an employer concern. Abuse of prescription drugs is increasing and legalization or decriminalization of marijuana in some states creates new challenges. The whole issue of drug testing in today's companies is a major one, and we'll come back to its applications later in this chapter.

The Polygraph Protection Act

The **Polygraph Protection Act** of 1988 prohibits employers in the private sector from using polygraph tests (often referred to as lie-detector tests) in all employment decisions.[8] Private employers may not use these tests to screen all job applicants. They may use them to identify the culprit when theft occurs, but employers are prevented from testing all employees in the attempt to identify the guilty party. Employees have the right to refuse to take a polygraph test without fear of retaliation from the employer.

Polygraph Protection Act
Prohibits the use of lie detectors in screening all job applicants.

The Worker Adjustment and Retraining Notification Act

When Microsoft started cutting 18,000 jobs in a restructuring plan in 2014, they started by filing a Worker Adjustment and Retraining Notification (WARN) notice that the first cuts would be 378 employees in San Diego. The San Diego economy is in a much better position to rebound from the lost jobs than a smaller community that could have been economically devastated if they were not given advance notice of the closings and loss of jobs. The **Worker Adjustment and Retraining Notification (WARN) Act of 1988**,[9] sometimes called the Plant Closing Bill, requires organizations employing 100 or more individuals must notify workers 60 days in advance if it is going to close its facility or lay off 50 or more individuals.[10] The state officials with responsibility for displaced workers and local elected officials also must be notified. The law does recognize that under certain circumstances, advance notice may be impossible. For example, if a company is having financial difficulties and is unable to raise money to keep the organization afloat, resulting in immediate failure and bankruptcy, WARN would not apply.

Worker Adjustment and Retraining Notification (WARN) Act
Specifies employers' notification requirements when closing down a plant or laying off a large number of workers.

Plant closings, privacy of employee records, use of credit reports, and drug testing are all concerns for human resource management. These laws have created specific guidelines for organizations to follow. They don't prevent the organization from doing what is necessary. Rather, the laws exist to ensure that whatever action the organization takes, it also protects employee rights. A summary of these laws is presented in Exhibit 4-1.

Exhibit 4-1
Selected Laws Affecting Employee Rights

Employees are entitled to their privacy and to information about employer's actions such as accessing credit information, drug testing, or large layoffs.

Law	Effect
Fair Credit Reporting Act	Requires employers to notify individuals that credit information is being gathered and may be used in the employment decision.
Privacy Act	Requires government agencies to make information in an employee's personnel files available to him or her.
Drug-Free Workplace Act	Requires government agencies, federal contractors, and those who receive government monies to take steps to ensure that their workplace is drug free.
Employee Polygraph Protection Act	Prohibits the use of lie-detector tests in screening all job applicants. Permits their use under certain circumstances.
Worker Adjustment and Retraining Notification Act	Requires employers with 100 or more employees contemplating closing a facility or laying off 50 or more employees to give 60 days' notice of the pending action.

Social Media Use and Employee Rights

Suppose you've had all you can take of an annoying and inept manager. On your personal Facebook account, you criticize the manager, calling her a "lunatic" along with a few other insults. Not wanting to leave any doubt as to how upset you are, you go on to call your workplace "toxic" and "oppressive" on your Twitter account. A couple of days later, both your Facebook rant and the tweet are discovered and you're fired. Can your company do that? The answer, similar to most answers to HR questions is, "it depends."

concerted activity Employees that meet in person or online to discuss working conditions are protected from employer retaliation.

There is no protection for employees who post comments about employers on Facebook or blogs. A few have attempted to have disciplinary actions reversed by claiming that it was an unfair labor practice because the employer retaliated against them for participating in protected **concerted activity**. This means that the employee was communicating with other employees about workplace issues as protected by the National Labor Relations Act. Read the situations below and see if you can guess if the National Labor Relations Board (NLRB) supported the employee or employer.

- A bartender was fed up with his "redneck" customers and posted on a Facebook conversation with his sister that he hoped they would "choke on glass as they drove home drunk." No coworkers participated in the Facebook discussion. He was fired a few days later—via Facebook.
- A Walmart employee was so upset with his assistant manager that he called her a "puta" and said that her criticisms of his work were "retarded." He went on to tell Walmart to "kiss my royal white ass." Coworkers responded their approval of his comments. He was soon fired.
- A sales worker was fired from a BMW dealership after he made a Facebook post that mocked the management for serving hot dogs and bottled water from Sam's Club at an event promoting an expensive BMW model. He also expressed concern that sales commissions would suffer. Other employees joined the discussion expressing their concerns.
- An employee at an ambulance company complained on Facebook about her manager's incompetence, stating, "I love how the company allows a 17 to become a supervisor." "17" was company code for a psychiatric patient. The employer had a policy prohibiting employees from saying anything negative about the company online.[11]

The NLRB denied the unfair labor practice claims of the bartender and the Walmart employee. The BMW sales worker and ambulance driver got better news. Their claims were upheld by the NLRB. What was the difference? They were seen as discussing the terms and conditions of their employment with other employees, which is protected, whereas the bartender and Walmart employee's posts were merely complaining to anyone who would pay attention. The NLRB has drawn a fine line and more complaints are expected. You can learn more about it on the NLRB Facebook page.

social media Websites and mobile applications that facilitate interactive communication.

Laws regarding employee rights and use of **social media** sites such as Facebook, Instagram, LinkedIn, Twitter, MySpace, YouTube, and others are not keeping pace with the technology. Employers are often left making a "best guess" about employee and employer rights as lawmakers and courts get it sorted out. If an impulsive angry rant includes a vague threat, it can reach employers and law enforcement agencies quickly with serious legal repercussions for the sender. In the words of one employment law expert, "we're all 140 characters away from unemployment," referring to the maximum characters allowed in a Twitter post.[12]

Use of social media at work also presents problems with productivity. Then why not just ban the use of social media at work entirely? It is a hotly debated topic with some feeling a ban would create morale problems and wouldn't be practical. Others have attempted to create restrictions and policies designed to prevent situations that can be embarrassing to the organization and avoid expensive legal problems. Policies that ban employees from complaining or saying uncomplimentary things about the employer on social media have been ruled as overly broad by the NLRB. Remember that when employees complain about working conditions to other employees, it's considered protected concerted activity. Zappo's extremely simple social media policy "Be real and use

CONTEMPORARY CONNECTION

They're Using It on Their Phones Anyway . . .

Most of us have social media accounts on our mobile devices and check them on a regular basis, even at work. A recent survey of young professionals between the ages of 21 and 29 in 14 countries found that more than 40 percent of respondents would be willing to work for less money in favor of having access to social media while at work. Going a bit further, 56 percent reported that if they were offered a job at one of the 31 percent of companies that limit or block social media access, they would decline the offer, or take the job and use social media at work anyway.[15]

As a practical matter, some employers have decided to embrace rather than restrict employee use of social media at work as a way to build trust and community and generate ideas. Travel technology company, Sabre Holdings created an internal social networking site called "Sabre Town" that is used by 90 percent of their 10,000 employees to share hobbies and interests.[16] The company believes the site has strengthened communication and collaboration, workplace characteristics highly valued by employees. Other employers have created company blogs, both internal and external and corporate flicker accounts for employees to share photos of their environments around the globe. Of course, many encourage use of the company Facebook, Instagram, Twitter, LinkedIn, and Pinterest accounts for sharing ideas, photos, and best practices—and the occasional complaint too.

Consider this:

Would you personally work for an employer that prohibited social media at work? As an employer, would you trust your employees to have free access? What would be your concerns?

your best judgment"[13] may work with their unique culture, but most organizations need to be a little more specific in their social media policy. Employers need to craft social media policies that protect employers and employees by including:

- Information outlining the company's policy on monitoring Internet use.
- Explaining that employees have no expectation of privacy when using the Internet at work.[14]
- Reminding employees that comments need to be respectful of the company and clients.
- Explaining the possibility of legal repercussions from defamation.
- Reminding employees about privacy settings.
- Explaining the company's position on using the company name or photos depicting the company or employee with the company uniform.

Current Issues Regarding Employee Rights

Because HRM works in the dynamic environment discussed in Chapter 1, the issue of employee rights is always evolving and may change quickly when laws, economic factors, and technology also change. We will take a look at a few issues that are current concerns of many HR professionals including drug testing, honesty tests, employee monitoring, workplace security, and workplace romance.

Drug Testing

The Drug-Free Workplace Act requires federal contractors and anyone receiving federal grants to have policies against drug use, but does not require **drug testing.** Most employers are not required to test employees unless they are in industries such as transportation, nuclear energy, or military contracting. That being said, approximately 80 percent of U.S. employers conduct some type of drug testing. Nearly all of those screen job candidates and over 70 percent screen current and contingent employees.[17]

drug testing
The process of testing applicants/employees to determine if they are using illicit substances.

CONTEMPORARY CONNECTION

Why Organizations Conduct Drug Tests

Over two-thirds of all U.S. organizations use some form of drug testing—either as a pre-employment requirement, a random testing of current employees, or a required test after a workplace accident has happened. Why are companies likely to do this? Consider the following statistics. Substance abusers are

- 10 times more likely to miss work
- 5 times more likely to file a workers' compensation claim
- 3.6 times more likely to be involved in a work-related accident
- 33 percent less productive than nonusers costing U.S. corporations nearly $100 billion annually.

Utilizing tests that are administered using urine, blood, or hair samples, organizations most commonly look for such substances as marijuana, alcohol, amphetamines, cocaine, opiates such as heroin, and phencyclidine (PCP). Depending on the situation, organizations may also test for such substances as Valium, Ecstasy, LSD, and certain inhalants.[19]

Consider this:

In addition to jobs such as transportation, law enforcement, and some federal agencies, which organizations should do drug testing? Can you think of any jobs where employees would not need to be tested?

It's difficult to find a major company today that doesn't do some form of drug testing. CVS, Costco, Toys R Us, Target, and Verizon are just a few that test all current employees as well as prospective employees. Drug testing is designed to identify the abusers either to help them overcome their problem (current employees) or to avoid hiring them in the first place (applicants). Other benefits exist, too. The SHRM survey also found that 20 percent of employers responding found increased productivity after implementing a drug testing policy.[18] Just having a policy of testing applicants can be an effective deterrent. One HR professional reports "applicants who ask me if we do pre-hire drug testing frequently leave without even completing the application form."

If an applicant tests positive for substance abuse, that applicant is generally dropped from consideration. Drug tests are expensive for employers, so they usually do applicant drug testing only after a conditional job offer is made. The actual job offer is only made after the applicant passes a drug test. What do employers do when an employee fails a drug test? It's up to the employer, but the testing policy and consequences of failure should be clearly spelled out in company policies. Most dismiss employees who fail drug tests immediately. Some allow employees to use accumulated time off to seek counseling and treatment. Others allow employees to self-report addiction problems and seek treatment as long as they haven't been scheduled for a drug test. Once the test is scheduled, that offer is off the table.

Honesty and Integrity Tests

honesty and integrity tests
A specialized question-and-answer test designed to assess one's honesty.

Honesty and integrity tests have been around for decades, but still arouse curiosity and suspicion. They are designed to assess an applicant's tendency to be honest, trustworthy, and dependable. A lack of integrity is associated with such counterproductive behaviors as theft, violence, sabotage, disciplinary problems, and absenteeism.[20] These tests frequently are designed with multiple questions covering similar topic areas to assess consistency. If consistency is lacking, the test may indicate that an individual has a tendency to be dishonest.

The effectiveness of these tests, coupled with their costs, which are lower than other types of investigations, has prompted companies to use them in their selection process. In fact, it is estimated that several thousand organizations are using some variation of honesty tests to screen applicants, testing several million individuals each year.[21] Organizations with a large number of retail employees such as AT&T use integrity tests to weed out applicants who are likely to steal or cheat the company in some way. Others use them to determine if an applicant is not just dishonest, but likely to take dangerous risks on or off the job. One employer reported a significant decrease in worker's compensation claims just 6 months after starting testing of applicants.

Whistle-Blowing

Whistle-blowing occurs when an employee reports the organization to an outside agency for what the employee believes is an illegal or unethical practice. In the past, these employees were often subjected to severe punishment for doing what they believed was right.

whistle-blowing
A situation in which an employee notifies authorities of wrongdoing in an organization.

The federal government protects employees who report violations under the Sarbanes–Oxley Act, the Consumer Product Safety Act, Occupational Safety and Health Act, and many other federally regulated activities. The extent of state laws and how much protection they afford differ greatly. Many firms have voluntarily adopted policies to permit employees to identify problem areas. The thrust of these policies is to have an established procedure whereby employees can safely raise concerns and the company can take corrective action.

There are around 49 federal laws protecting workers in the private sector who report fraud and wrongdoing. Most states also have laws protecting whistle-blowers from retaliation. It's beginning to work. In one-third of the companies that experienced major fraud in 2013, whistle-blowers were responsible for alerting authorities.[22]

Workplace Romance

Workplace romance is common. When individuals close in age with similar interests meet at work and are together for 40 hours a week or more, sometimes colleagues can turn into romantic partners. It's so common that a survey by Vault.com found that 56 percent of professionals admitted to having been involved in an office romance, and 20 percent said they had dated their boss or another superior in the organization.

workplace romance
A personal relationship that develops at work.

Why should HR professionals be concerned? The problem is that these romances can lead to accusations of favoritism, sexual harassment complaints, low productivity, poor employee morale, and even workplace violence.[23] Concern over these complications has led some companies to implement fraternization policies that take one of four options: forbid all relationships between all coworkers, ban dating between managers and nonmanagers, ban relationships between an employee and the direct supervisor, or require employees to sign contracts stating that the relationship is consensual. These "love contracts" often outline what the parties are expected to do if the relationship should cease to be consensual while reminding both parties of the company's sexual harassment policy. Their purpose is to:

Workplace romances can lead to accusations of favoritism, sexual harassment complaints, low productivity, poor employee morale, and even workplace violence.

- reduce the risk of sexual harassment
- reduce the perception of favoritism
- provide an opportunity to discuss professional behavior in the workplace
- remind employees that the workplace does not provide privacy.[24]

Other issues that may be addressed include what would happen if one person in the relationship should be promoted over the other or moves on to work for a competitor.

Off-Duty Behavior

Can they do that?

- Delta airlines fired a flight attendant after posting a photo of herself with the blouse of her uniformed unbuttoned to expose a bit of her bra.[25]

- The Indianapolis Colts fired a player after he was arrested for public drunkenness and resisting arrest. During the altercation he was heard saying "You can't arrest me. I'm a Colts player."[26]
- Walmart fired an employee in Michigan who tested positive for marijuana use after an accident at work. The employee used medical marijuana, off duty, which is legal according to Michigan's Medical Marijuana Act.[27]

The answer in all three cases is yes. They all worked for private employers and the states they worked in did not provide any additional protection for them. They would have fared better if they worked for public employer like the government or lived in a state like California that has a law protecting employees from job-related actions based on legal off-duty conduct.

This means that if you find employees have done something that reflects badly on you as the employer, you can discipline or dismiss them. Of course that doesn't mean that you can take an adverse employment action based on a characteristic protected by Title VII or other discrimination laws explained in Chapter 3. It gets tricky in states that have provided additional protections for things such as tobacco or medical marijuana use and possessing firearms, so it's a good idea to be familiar with the laws in your state. The trend to legalize or decriminalize marijuana will certainly lead to more laws and court cases involving employee use. Remember, it's a dynamic environment. Stay tuned.

Employee Monitoring and Workplace Security

There isn't any doubt that employers have a right to know what employees are doing on company time, right? Are there limits to what should be tracked by employers? It's easy to justify using monitoring to reduce theft or improve efficiency, but what if the same technology keeps track of who we speak with during the day and how long the conversations are? **Employee monitoring** technology has advanced to the point that our every move can be tracked and it's likely that technology that sounds futuristic when this text is published will be commonplace before the next edition is printed. Increasingly intrusive technology has privacy advocates very concerned. Let's take a look at the current state of employee monitoring and some of the ethical issues.

employee monitoring
An activity whereby the company keeps informed of its employees' activities.

Preventing losses due to theft, security breaches, dishonesty, and misconduct is the primary reason for employee monitoring, but employers also see benefits from increased productivity and a better understanding of workplace culture. For example, employee-tracking software used in thousands of restaurants examines the transactions of every server, looking for patterns that might indicate employee theft. The same information allows managers to identify highly productive employees with management potential. GPS tracking of fleet vehicles can determine if drivers are speeding, driving aggressively, or taking long unauthorized breaks during the day and billing the employer for time not worked. Analysis of GPS tracking also helps employers make more efficient use of driver's time and reduce fuel consumption.[28] Smart badges with microphones, location sensors, and accelerometers can track employee movement and amount of interaction with coworkers and customers, yet the same technology can be analyzed to design better workspaces and help salespeople identify high-value customers.[29]

Employees have surprisingly few privacy rights in the workplace. Some states provide legal protection, but few federal laws address employee privacy. The Electronic Communications Privacy Act (ECPA) of 1986 extends the federal Wiretap Act to e-mail, but there are a number of exceptions in the act that allow employers to monitor communication if there is a legitimate business purpose or if employees give consent. Most employers monitor Internet use in an effort to prevent access to gambling and porn sites or to intercept e-mails that may contain harassing content or trade secrets. The ECPA stipulates that monitoring of phone conversations must cease if it becomes personal in nature.

Policies should be provided that explain the type of monitoring that will be in place and guidelines for employee use of communication technology. This policy may include the following:[30]

- Computers and phone systems are property of the employer and are to be used for business only. Although employees have passwords, the company retains control. If limited personal use is acceptable, this should be included.
- Employees do not have any expectation of privacy when using computers, phones, offices, desks, lockers, company vehicles, or any other relevant locations. Monitoring and searches may occur at any time, for any reason, without further notice.
- Prohibit access of sites or material that is offensive, pornographic, discriminatory, defamatory, or unlawful.
- Prohibit communication of trade secrets or any confidential or proprietary information.

Even though employees have few privacy rights, employers walk a fine line between enforcing their rights to monitor employees and creating an atmosphere that seems intrusive and distrustful. Employees may understand that any communication that goes through a company laptop, tablet, or mobile device is not private, yet they may be expected to carry these technologies home and access them as needed. Is it necessary for them to carry their own tablet or mobile device for personal use? If the company device is used, can those communications be monitored? What if that monitoring reveals that the employee has personal problems such as substance abuse or involvement in illegal activity? Are you ready to deal with those ethical dilemmas?

The Employment-at-Will Doctrine

When the long-time editor of *Guns & Ammo* magazine wrote an editorial stating gun owners should stop acting as if any regulation whatsoever amounts to the "infringement" mentioned in the Second Amendment. "I don't think requiring 16 hours of training to qualify for a concealed carry permit is infringement in and of itself. But that's just me,"[31] he was hoping for a thoughtful discussion of the issue. Instead, he was fired. Was the magazine within its rights to fire an employee for expressing a conflicting opinion? In a word, yes. Employers can pretty much fire anyone at any time for any reason, with a few limits.

The concept of the **employment-at-will doctrine** is rooted in nineteenth-century common law, which permitted employers to discipline or discharge employees at their discretion. The doctrine seeks to equalize the playing field. If employees can resign at any time they want, why shouldn't an employer have a similar right? Under the employment-at-will doctrine, an employer can dismiss an employee at any time for any reason. Of course, an employer can't fire on the basis of race, religion, sex, national origin, age, or disability.

employment-at-will doctrine Nineteenth-century common law that permitted employers to discipline or discharge employees at their discretion.

Exceptions to the Doctrine: Wrongful Discharge

Although employment-at-will thrives in contemporary organizations, there are several exceptions that can support a wrongful discharge suit: contractual relationship, statutory considerations, public policy violation, implied contracts, and breach of good faith.[32] Let's take a closer look at these.

Contractual Relationship Employers and employees may enter into a legal agreement regarding how employee issues are handled, including stipulating that discharge may occur only if it is based on just cause. In this case, the employer must show that the employee's conduct violated the agreement and the employer followed a procedure to prove the violation. The procedure is similar to due process and usually includes these steps:

- Was there adequate warning of consequences of the worker's behavior?
- Are the rules reasonable and related to safe and efficient operations of the business?

- Before discipline was administered, did a fair investigation of the violation occur?
- Did the investigation yield definite proof of worker activity and wrongdoing?
- Have similar occurrences, both prior and subsequent to this event, been handled in the same way and without discrimination?
- Was the penalty in line with the seriousness of the offense and in accord with the worker's past employment record?[33]

implied employment contract
Any organizational guarantee or promise about job security.

Implied Employment Contract An **implied employment contract** is any verbal or written statement made by members of the organization that suggests organizational guarantees or promises about continued employment.[34] Many organizations that want to maintain an employment-at-will policy have disclaimers such as "This handbook is not a contract of employment," or "Employment in the organization is at the will of the employer," on the covers of their employee handbooks and manuals. Supervisors and interviewers need to be careful not to make any statements that might lead an applicant or employee to believe the job is theirs forever. We'll look at employee handbooks in Chapter 8.

Statutory Considerations Employers may not violate federal or state discrimination laws when dismissing employees. For example, an organization cannot terminate an individual based on his or her age just because such action would save the company some money.

Public Policy Violation An employee cannot be terminated for failing to obey an order from an employer that can be construed as an illegal activity. Should an employee refuse to offer a bribe to a public official to increase the likelihood of the organization obtaining a contract, falsify time cards, or illegally dump hazardous waste that employee is protected. Furthermore, employers cannot retaliate against an employee for exercising his or her rights (such as serving on a jury).

Breach of Good Faith Employer promises should be kept, although the terms of the promise may be hard for employees to prove. In one noteworthy case, an individual employed more than 25 years by the National Cash Register Company (NCR) was terminated shortly after completing a major deal with a customer.[35] The employee claimed that he was fired to eliminate NCR's liability to pay his sales commission to him. The court ruled that this individual acted in good faith in selling the company's product and reasonably expected his commission. Although NCR had an employment-at-will arrangement with its employees, the court held that his dismissal and NCR's failure to pay commissions were breaches of good faith.

Constructive Discharge Although not specifically an exception to employment-at-will, constructive discharge is still a claim of a broken promise by employers. Constructive discharge includes situations where the employer creates working conditions that are "intentionally created or knowingly permitted working conditions that were so intolerable or aggravated at the time of the employee's resignation that a reasonable employer would realize that a reasonable person in the employee's position would be compelled to resign."[36] This may be intentional, hoping an employee who would be difficult to fire will quit, preventing a successful unemployment compensation or breach of contract claim.

The situation cannot be merely uncomfortable or unpleasant. They must be truly intolerable. Examples would include an employer who permits or even encourages sexual harassment in the workplace, ignores OSHA safety standards creating an extremely unsafe environment, reduces pay by half, or refuses to let a lactating mom have access to a lactation room. Employees generally cannot just quit and claim **constructive discharge**. The employee must first provide written notice to the employer, and if nothing is done to correct the situation in a reasonable timeframe, the situation is probably constructive discharge.

constructive discharge
Employee quits because working conditions are intolerable.

Discipline and Employee Rights

We've all seen instances where an employer should have fired an employee who broke rules, was insubordinate, had a real attitude problem, or just didn't do a very good job. That can have a disastrous effect on productivity and morale. So why do employers refrain from firing these "bad apples?" Frequently it's because they don't know their rights as employers or don't understand how to discipline properly. HRM can help by establishing discipline policies and educating managers on their use.

What Is Discipline?

discipline
A condition in the organization when employees conduct themselves in accordance with the organization's rules and standards of acceptable behavior.

Discipline refers to a condition in the organization where employees conduct themselves in accordance with the organization's rules and standards of acceptable behavior. For the most part, employees discipline themselves by conforming to what is considered proper behavior because they believe it is the reasonable thing to do. Once they know what is expected of them, and assuming they find these standards or rules reasonable, they seek to meet those expectations.[37]

But not all employees will accept the responsibility of self-discipline. Some do not accept the norms of responsible employee behavior. These employees, then, require some degree of extrinsic disciplinary action. Managers don't always know how to effectively apply discipline, either. The following section covers how to establish discipline policies with appropriate consequences so that man agers and employees all know what to expect.

Factors to Consider When Disciplining

Before we review disciplinary guidelines, we should look at the major factors to consider in having fair and equitable disciplinary practices.[38] The following seven contingency factors can help us analyze a discipline problem.

1. *Seriousness of the Problem* How severe is the problem? For example, dishonesty is usually considered a more serious infraction than reporting to work 20 minutes late.
2. *Duration of the Problem* Have there been other discipline problems in the past, and over how long a time span? The violation does not take place in a vacuum. A first occurrence is usually viewed differently from a third or fourth offense.
3. *Frequency and Nature of the Problem* Is the current problem part of an emerging or continuing pattern of disciplinary infractions? We are concerned with not only the duration but also the pattern of the problem. Continual infractions may require a different type of discipline from that applied to isolated instances of misconduct. They may also point to a situation that demands far more severe discipline to prevent a minor problem from becoming a major one.
4. *Extenuating Factors* Do extenuating circumstances relate to the problem? The employee completed a project late because of the death of her grandfather is likely to have her violation assessed more leniently than will her peer who missed the deadline because he overslept.
5. *Degree of Socialization* To what extent has management made an earlier effort to educate the person causing the problem about the existing rules and procedures and the consequences of violations? Discipline severity must reflect the degree of knowledge that the violator holds of the organization's standards of acceptable behavior. The new employee is less likely to have been socialized to these standards than the 20-year veteran. Additionally, the organization with formalized, written rules governing employee conduct is more justified in aggressively enforcing violations of these rules than is the organization whose rules are informal or vague.
6. *History of the Organization's Discipline Practices* How have similar infractions been dealt with in the past within the department? Within the entire organization? Has

there been consistency in the application of discipline procedures? Equitable treatment of employees must take into consideration precedents within the unit where the infraction occurs, as well as previous disciplinary actions taken in other units within the organization. Equity demands consistency against some relevant benchmark.

7. *Management Backing* If employees decide to take their case to a higher level in management, will you have reasonable evidence to justify your decision? Should the employee challenge your disciplinary action, you need data to backup the necessity and equity of your action and to feel confident that management will support your decision. No disciplinary action is likely to carry much weight if violators believe that they can usually challenge and successfully override their manager's decision.

TIPS FOR SUCCESS

What to Know Before Disciplining Employees

In a perfect world, discipline would be unnecessary because employees never do anything wrong.

In the real world, employees occasionally make dumb mistakes, misunderstand policies, and ignore common sense, requiring managers to follow disciplinary procedures and providing appropriate consequences. Dealing with the effects of the mistakes and masking anger, resentment, disappointment, and disgust to create teaching moments can test even the most patient manager. The challenge is to keep employees focused on their behavior and how to correct or improve it, not on how they're being treated. Following these guidelines should help:

- *Cool off, but don't wait too long.* Even though you might like to ignore the problem and hope that it will go away, don't kid yourself. Any problem has a tendency to escalate from a minor to a major issue. It's not worth it. Become comfortable with positively confronting situations, mutually identifying problems, and agreeing on solutions and follow-up plans. Failing to address issues undermines your credibility and ability to do what you are paid to do: manage.
- *Think before you speak.* Stay calm. It may be tempting to sound off, but how you handle disciplining may be as important as the issue. Your goal should be to correct the situation, not to harm the working relationship. You may wish to ask the employee to consider possible solutions and bring one or two to the meeting if appropriate.
- *Always discipline in private.* Discipline shouldn't be carried out in front of co-workers if at all possible. Consider using a conference room if added privacy is needed. Use good judgment as to whether another manager should be involved as a witness.
- *Follow company disciplinary procedures to ensure fairness and consistency.* If in doubt, take the time to check with the policy manual, your boss, or a personnel officer first. If you don't, you may be the next person in line to be disciplined for not following procedures.
- *Be prepared to hear a variety of both imaginative and worn-out excuses.* These can range from "I was stuck in traffic" to "You never told me" to "They're lying" to "Everybody else does it."
- *Prepare to avoid nervousness.* No one likes to discipline, but it's part of the job. Before the meeting, think about possible objections or issues. Rehearse responses in your mind, outline your comments—whatever it takes to resolve the issue in a win-win manner.
- *Prepare by comparing the actual to the desired situation.* State what action is necessary, why it is necessary, and its impact.
- *Clarify expectations and contingencies for specific actions and timetables.* Make sure that the employee understands by asking for a summarization—something beyond just a grunt of agreement.
- *Ask employees for feedback.* How can you best help or support them in making the necessary changes? What suggestions do they have? How can problems be prevented in the future?
- *Let it go.* There is no need to ignore employees, stare at them, or use any other of a variety of cruel and unusual (and immature) punishments. Administer the appropriate consequence and try to resume a normal working relationship.

Things to think about:

How would the work atmosphere or organizational culture be affected if these suggestions were consistently followed? Would you add any suggestions?

Exhibit 4-2

Specific Disciplinary Problems

Although this isn't a comprehensive list, this table outlines some of the more common types of disciplinary problems that managers encounter. HR professionals hold the responsibility for training managers and supervisors in the disciplinary process and are also frequently responsible for administering the consequences in the disciplinary process.

Type of Problem	Infraction
Attendance	Leaving without permission Tardiness Unexcused absence
On-the-job behaviors	Attacking another employee Carrying a concealed weapon Defective work Destruction of organizational property Failure to obey safety rules Failure to report accidents Fighting Gambling on the job Gross insubordination Horseplay Intoxicated on the job/substance abuse Loafing Sexually harassing another employee Smoking Unapproved use of internet or personal phone.
Dishonesty	Clock-punching another's timecard Deliberate falsification of employment record Falsifying work records or documents Stealing

Disciplinary Guidelines

The most thorough and well-planned HRM policies and procedures can fail when managers and supervisors don't understand how to implement them effectively. Discipline policies are a great example. New supervisors are often promoted with little supervisory training and are insecure in their authority and ability to discipline employees when necessary. If disciplinary policies are applied inconsistently, employees may feel that managers are lenient, biased, or arbitrary when selecting which employees to punish. HRM has the responsibility to establish clear discipline policies and train managers and supervisors how to apply them effectively and consistently. This should result in a workplace culture where employees regulate their own behavior in their own self-interest and the good of the work group. Here are a few general guidelines for effective discipline policies:

- *Make disciplinary action corrective rather than punitive.* The object of disciplinary action is not to punish employees but to provide a consequence for an employee's undesirable behavior. Punishment may be a necessary means to that end, but employees need to understand that the goal of any disciplinary action is to instruct and correct.
- *Use a progressive discipline approach.* Although the appropriate disciplinary action may vary depending on the situation, it is generally desirable for discipline to be progressive. Only for the most serious violations will an employee be dismissed after a first offense. Typically, **progressive discipline** begins with a written verbal warning and proceeds through a written warning, suspension, and, only in the most serious cases, dismissal.
- *Follow the* **hot-stove rule**. Administering discipline can be viewed as similar to touching a hot stove.[39] Although both are painful to the recipient, the analogy goes further. When you touch a hot stove, you have an immediate response; the burn you receive is instantaneous, leaving no question as to cause and effect. You have advance warning; you know what happens if you touch a red-hot stove.

progressive discipline
A system of improving employee behavior that consists of warnings and punishments that gradually become more severe.

hot-stove rule
Discipline, like the consequences of touching a hot stove, should be immediate, provide ample warning, be consistent, and be impersonal.

Furthermore, the result is consistent: every time you touch a hot stove, you get burned. Finally, the result is impersonal; regardless of who you are, if you touch a hot stove, you will get burned. The comparison between touching a hot stove and administering discipline should be apparent, but let us briefly expand on each of the four points in the analogy.

- *Immediate Response.* The more quickly the discipline follows the offense, the more likely the employee is to associate the discipline with the offense rather than with the manager imposing the discipline. Waiting too long may result in the employee not making a connection between the infraction and the consequence. In this case, the employee may feel that the punishment was made arbitrarily or because of a bias or prejudice. Of course, this desire for immediacy should not result in taking action before thinking it through. If all the facts are not in, managers may invoke a temporary suspension, pending a final decision in the case.
- *Advance Warning.* The manager has an obligation to give advance warning prior to initiating formal disciplinary action. This means the employee must be aware of the organization's rules and accept its standards of behavior. Disciplinary action is more likely to seem fair to employees when they have a clear warning that a given violation will lead to discipline and what that discipline will be.
- *Consistent Action.* Fair employee treatment also demands that disciplinary action be consistent.[40] All employees want to know the limits of permissible behavior, and they look to their managers' actions for such feedback. When rule violations are enforced in an inconsistent manner, employees are confused about what is tolerated and what is not. This can result in low morale, resentment, anxiety, low productivity, and questions about the competence of management. If, for example, Fatima is reprimanded today for an action that she took last week, she may be suspicious of the manager's motive. Similarly, if Zachary and Tianna are both goofing off at their desks and Zachary is reprimanded while Tianna is not, Zachary is likely to question the fairness of the action. This doesn't mean that everyone must be treated exactly alike because that ignores the situational differences, but it does put the responsibility on management to clearly justify disciplinary actions that may appear inconsistent or possibly discriminatory to employees.
- *Impersonal Application.* Penalties should be connected with a given violation, not with the personality of the violator.[41] As a manager, you should make it clear that you are avoiding personal judgments about the employee's character. You are penalizing the rule violation, not the individual, and all employees committing the violation can expect to be penalized. Furthermore, once the penalty has been imposed, you as a manager must make every effort to move past the incident. You should attempt to treat the employee in the same manner as you did prior to the infraction in order to resume a normal working relationship. Managers may be tempted to ignore small violations by longtime employees or employees who are normally excellent examples of morale and productivity, but new employees who are unfamiliar with the situation may feel that this indicates a double standard, a discriminatory environment, or possibly that the employer will tolerate poor performance.

What happens if an employee wants to bring another person to a disciplinary meeting? Based on the U.S. Supreme Court case *NLRB v. J. Weingarten, Inc.*, employees belonging to a union are permitted to have a union representative present at a disciplinary meeting. If an employee requests a union representative, the disciplinary meeting must stop until the representative is present. Employers are not obligated to inform employees of this right. In 2000, the NLRB extended the right to nonunion employees who wish to have another individual present, but the NLRB reversed itself in 2004. This left some lingering confusion, but currently, Weingarten rights do not apply outside the union setting. Employers may allow nonunion employees to have someone present, but it's up to the company.

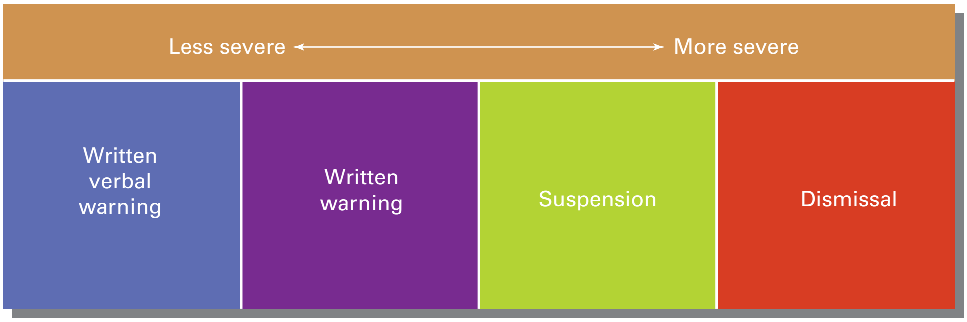

Exhibit 4-3
The Progressive Discipline Process

Progressive discipline begins with a written verbal warning and proceeds through increasingly severe written consequences.

Progressive Discipline

As mentioned earlier, discipline generally follows sequence of four steps of increasing severity: written verbal warning, written warning, suspension, and dismissal[42] (see Exhibit 4-3). Let's briefly review these four steps.

Written Verbal Warning The mildest form of discipline is the **written verbal warning**. (Yes, the term is correct, even though it sounds like an oxymoron.) A written verbal warning is a temporary record of a reprimand that is placed in the manager's file on the employee. This written verbal warning should state the purpose, date, and outcome of the interview with the employee. This is what differentiates the written verbal warning from the verbal warning. Because of the need to document this step in the process, the verbal warning must be put into writing. The difference, however, is that this warning remains in the hands of the manager; that is, it is not forwarded to HRM for inclusion in the employee's personnel file.

written verbal warning
Temporary record that a verbal reprimand has been given to an employee.

The written verbal reprimand is best achieved when conducted in a private and informal environment. The manager should begin by clearly informing the employee of the rule that has been violated and the problem that this infraction has caused. For instance, if the employee has been late several times, the manager would reiterate the organization's rule that employees are to be at their desks by 8 A.M., and then proceed to give specific evidence of how violating this rule has increased work for others and lowered departmental morale. After the problem has been made clear, the manager should then allow the employee to respond. Is he aware of the problem? Are there extenuating circumstances that justify his behavior? What does he plan to do to correct his behavior?

After the employee has been given the opportunity to make his case, the manager must determine if the employee has proposed an adequate solution to the problem. If not, the manager should direct the discussion toward helping the employee figure out ways to prevent the trouble from recurring. Once a solution has been agreed on, the manager should ensure that the employee understands what, if any, follow-up action will be taken if the problem recurs. If the written verbal warning is effective, further disciplinary action can be avoided. If the employee fails to improve, the manager will need to consider more severe action.

Written Warning The second step in the progressive discipline process is the **written warning.** In effect, it is the first formal stage of the disciplinary procedure. This is because the written warning becomes part of the employee's official personnel file. This is achieved by not only giving the warning to the employee but also sending a copy to HRM to be inserted in the employee's permanent record. In all other ways, however, the procedure for writing the warning is the same as the written verbal warning; that is, the employee is advised in private of the violation, its effects, and potential consequences of future violations. The only difference is that the discussion concludes with the employee being told that a formal written warning will be issued. Then the manager writes up the warning, stating the problem, the rule that has been violated, any acknowledgment by the employee that she will correct her behavior, and the consequences from a recurrence of the behavior, and sends it to HRM (Exhibit 4-4).

written warning
First formal step of the disciplinary process.

Exhibit 4-4

Documenting Discipline

Disciplinary actions need to be thoroughly documented in order to provide the relevant information to the employee and to defend the action in administrative or court proceedings.

Disciplinary Actions Should Be Documented with the Following Information:

- Date of the warning
- Name of employee
- Name of manager administering the warning
- Description and date of the problem
- Statement of policy, rule, or practice that was violated
- Type of warning or consequence
- Signature of manager
- Signature of employee. May include statement such as "signature indicates only that the warning was received. It does not necessarily indicate that the employee agrees with the warning."
- Signature of witness if employee refuses to sign.

An action plan may be included outlining steps the employee will take in order to correct the problem or improve performance, timeframe for completing steps, manager support or assistance, and consequences for not competing action plan.[43]

suspension
A period of time off from work as a result of a disciplinary process.

Suspension A **suspension** or layoff would be the next disciplinary step, usually taken only if the prior steps have been implemented without the desired outcome. Exceptions—where suspension is given without any prior verbal or written warning—occasionally occur if the infraction is of a serious nature.

A suspension may be for 1 day or several weeks; disciplinary layoffs in excess of a month are rare. Some organizations skip this step completely because it can have negative consequences for both the company and the employee. From the organization's perspective, a suspension means the loss of the employee for the layoff period. If the person has unique skills or is a vital part of a complex process, his loss during the suspension period can severely affect his department or the organization's performance if a suitable replacement cannot be

TIPS FOR SUCCESS

Are You Part of the Problem?

Progressive discipline and hot-stove rules are a proven way to help employees learn appropriate workplace behavior, but only if managers actually use them. New and inexperienced supervisors and managers don't automatically know the best way to handle problem employees who can often be menacing and may intimidate managers who have not been trained in how to enforce workplace rules. A common way managers handle the problem is to ignore it and hope it goes away. This rarely works and causes resentment, and morale and productivity problems with employees who follow the rules. HR needs to help develop new managers' supervisory skills, including training in the best ways to maintain a positive and productive workplace.

Are you part of the problem? Here are a few warning signs:[44]

- You are avoiding a problem employee.
- Employees accuse you of "playing favorites."
- You don't know how to handle an "out-of-control" employee.
- You ignore obvious problems or try to make them sound as though they're not serious.
- You fear employees will make claims of retaliation if you start to enforce the rules.
- You notice cliques forming to protect certain individuals.
- Individuals tell you they have been victims of pranks or horseplay.

The good news is it's never too late to do the right thing. If you or one of your managers needs to get back on track, one effective approach is to call a meeting and explain that you've seen the errors of your ways and that all rules and policies will now be enforced in a nondiscriminatory manner. Take time to review those policies and the consequences for not following the rules. It's okay to ask employees for suggestions. They tend to remember rules and follow them better when they feel they had a chance to participate in their development.

Things to think about:

What can you do if employees resist your efforts to "take back" your authority and enforce workplace discipline?

located. From the employee's standpoint, a suspension can result in the employee returning in a more unpleasant and negative frame of mind than before the layoff.

Why would management consider suspending employees as a disciplinary measure? A short layoff is potentially a rude awakening to problem employees who didn't get the message from previous consequences. It may convince them that management is serious and may move them to accept responsibility for following the organization's rules. Organizations may choose to substitute a final warning for suspension in their discipline policy. Care must be taken to only make one final warning before moving to dismissal.

Dismissing or Firing Employees, the Final Option

Whether it's for poor performance or downsizing, managers frequently dread **dismissal** and often handle it poorly. Consider these examples:

dismissal
A disciplinary action that results in the termination of an employee.

- The President and CEO of Kia Motors America was fired between dinner and dessert during a meeting with Kia dealers at the Belagio Hotel in Las Vegas.[45]
- When Oracle purchased PeopleSoft, 5,000 packages were delivered to workers' homes on a Saturday, containing either a job offer or a severance package.[46]
- Yahoo CEO Carol Bartz didn't care for being fired over the phone, so she dashed off an e-mail to her employees stating: "I am very sad to tell you that I've just been fired over the phone by Yahoo's Chairman of the Board. It has been my pleasure to work with all of you and I wish you only the best going forward."

In spite of the organization's best efforts to train, coach, and raise the level of performance of employees, sometimes things just don't work out and HRM or managers with HRM assistance must fire an employee. Whether you call it a layoff, firing, dismissal, letting go, discharge, or outplacement, taking a job away from an employee is one of the most unpleasant tasks of HRM. A recent survey of small business owners found that 61 percent of owners found it difficult to fire employees and 78 percent admitted that they had kept an underperforming employee too long because they avoided the unpleasant task.[47] Reasons managers don't fire when they should include reluctance of admitting that they made a mistake in the hiring process, failure to document poor performance, not following the progressive discipline policy, fear of confrontation, worries about claims of discrimination and retaliation, or concern about being short-staffed in the short term. Yet not firing someone who is underperforming or insubordinate sends the message that the employer accepts below standard performance. It sends the message to high-performing employees that their hard work doesn't really matter because the organization doesn't distinguish between their efforts and those of the mediocre employee.[48]

A dismissal decision should be given long and hard consideration. Have all efforts at coaching to improve performance been exhausted? Has HRM documented all substandard performance and communicated it to the employee? What replacement costs will the organization incur? Has the organization made all relevant documentation to avoid claims of discrimination? How are the courts likely to view any potential litigation?

Unless it's the result of downsizing, dismissal should be the last step and ultimate disciplinary consequence. Occasionally an offense is so serious that immediate dismissal is appropriate such as theft, sexual harassment, violence, plagiarism, or sabotage. These exceptions to the discipline policy should be spelled out in the employee manual.[49] When the decision is made, HRM needs to consider how the dismissal will be communicated. Terminations cause hard feelings, create economic hardship, and provoke lawsuits. Nearly 90 percent of discrimination charges filed with the Equal Employment Opportunity Commission are related to discharging employees.[50] There

Define ‘Fired.’”

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Exhibit 4-5

Firing an Employee Can Be Difficult

Disciplinary actions can be difficult for employees to accept. Be very clear about the problem and action that will be taken.

may be no way to prevent lawsuits, but there are certainly steps that employers can take to try to minimize them (Exhibit 4-5).

When firing an employee:

- *Review all facts.* Be very familiar with documentation such as performance appraisals, disciplinary actions, and productivity reports that led to this action.
- *Set the stage.* Call the employee into your office or another private setting. Have someone there as a witness. Darken your computer screen and silence your phones. This deserves your full attention.
- *Be very clear.* Use language that leaves no doubt that the employee is being terminated. Consider making notes so you don’t stray from your message. Review the performance problems and unsuccessful efforts to remedy the situation.
- *Allow a little dignity.* Suggest that the job may not have been the best match for the employee and express hope that things will work out better in a new job and under different circumstances.
- *Let the employee talk.* Give the person a chance to respond, regardless of how uncomfortable it is for you, but don’t get drawn into an argument or back down. Try not to take employee comments personally. Harsh comments are likely to be made in frustration, hurt, or anger.
- *Give severance pay.* Providing severance pay slightly softens the blow, and is the decent way to behave. A good guideline is 2 weeks’ pay plus 1 additional week’s pay for every year of service.
- *Ask the person to sign an agreement waiving the right to sue for wrongful termination.* Consult your attorney. You may be allowed to make signing such an agreement a condition of the employee’s receiving severance pay.
- *Immediately pay for any earned time.* In addition to any severance, you’re responsible for any earned overtime and earned but unused vacation time or unused sick days.
- *Have the person leave that day.* It’s unfair and uncomfortable for a terminated employee to continue to come to work. That would lower staff morale, and the possibility always exists that the person could do damage to your company.
- *Inform the person of any benefits.* Terminated employees will be grateful to learn about any benefits they’re entitled to, such as unemployment payments or the ability to continue their medical insurance.
- *Take appropriate protective steps.* Immediately change passwords for any computer programs the employee had access to. Retrieve any keys they may have to premises.
- *Tell other employees that the employee has been terminated.* Other employees may need to know about the termination, but don’t give any details. It’s a private matter. At best, you might appear to be a gossip. At worst, it could lead to legal problems.

Employee Relations in a Global Environment

Approaches to employment law around the world vary widely ranging from nearly nonexistent to being written into the country’s constitution. Probably the biggest area of difference from U.S. employment law is the concept of employment-at-will discussed earlier. In most other countries, it doesn't exist. Employees have the basic right to keep their jobs indefinitely, making it difficult and expensive to fire employees. Employers are required to give lengthy notice to employees who have the right to due process before the termination can take place. Even if employers are successful, it may be necessary to pay the terminated employee several months of severance pay.

Another significant difference is the role of unions. They tend to be a strong influence on wages, benefits, and working conditions in most European countries, although their clout seems to be weakening in recent years.[51] The opposite seems to be true in China. Although membership in the state-sponsored union is high, the union leadership has traditionally favored employer interests and compromised employee rights in order to maintain order. In the last couple of years, dissatisfied employees have held unauthorized strikes at several companies and have created their own unsanctioned unions.[52]

Paid time off is another area of wide differences. Nearly all industrialized nations provide paid maternity leave with a few exceptions including Lesotho, Swaziland, Papua New Guinea, and the United States, although a few states do require some paid leave.[53] Other countries seem to be more generous with other types of paid leave too. According to the Center for Economic and Policy Research, of the world's 20 most advanced economies, the United States is the only one that does not require any paid time off for workers. France and the United Kingdom are the most generous with 30 and 28 paid vacation days with Japan and the United States at the bottom of the list with 10 and 0 days, respectively.[54]

Summary

(This summary relates to the Learning Outcomes identified on page 83.) After having read this chapter, you should be able to

1. **Explain the employer record-keeping responsibilities and laws related to keeping and collecting employee information.** Documents related to the employee's job such as job descriptions, employment forms, contact information, and disciplinary actions must be kept. Medical records and I-9 forms should be kept separately. The Privacy Act of 1974 allows government employees access to information contained in their personnel files. State laws give others access. The Fair Credit Reporting Act sets guidelines for the use of credit reports and investigations. The Drug-Free Workplace Act of 1988 required government agencies, individuals with federal contracts, and organizations with federal contracts over $100,000 to take various steps to ensure that their workplace is drug free.
2. **Discuss employer concerns about social media use and the components of an effective social media policy.** Social media provides opportunities for employees to share their positive or negative feelings about employment on a global scale, endangering reputations and jobs. Productivity also suffers when employees use social media during work hours. Effective social media policies include information on how the employer monitors Internet use, warnings that there is no privacy when using the Internet at work, reminding employees to be respectful online, explaining legal repercussions of online defamation of character, privacy settings, and how company photos, names, and logos can be used. Employers need to be aware that employees may post information that can be considered concerted protected speech by the NLRB.
3. **Identify current issues regarding employee rights.** Drug testing, honesty testing, whistle-blowing, employee monitoring, workplace security, workplace romance, and employee off-duty behavior are all current employee rights issues.
4. **Explain legal and ethical issues involved in monitoring employees in the workplace.** Employers have extensive rights to monitor employees in the workplace including use of phones, e-mail, and Internet. Technology available to track employee actions is evolving rapidly. Employee monitoring can save money and increase

productivity for employers; however, employees often feel that their right to privacy is being violated. Concern over new technology that may track employees beyond the workplace is growing.

5. **Explain the employment-at-will doctrine and relevant exceptions.** The employment-at-will doctrine permits employers to fire employees for any reason, justified or not. Exceptions include contractual relationships; statutory considerations; public policy violations; implied employment contracts; and breach of good faith by the employer.
6. **Explain the elements of effective discipline policies.** Discipline is a condition in the organization when employees conduct themselves in accordance with the organization's rules and standards of acceptable behavior. Whether to impose discipline and with what severity should reflect factors such as problem seriousness, problem duration, problem frequency and nature, the employee's work history, extenuating circumstances, degree of orientation, history of the organization's discipline practices, implications for other employees, and management backing. General guidelines in administering discipline include making disciplinary actions corrective, making disciplinary actions progressive, and following the hot-stove rule—be immediate, provide ample warning, be consistent, and be impersonal.
7. **Identify important procedures to follow when firing an employee.** Review all facts; meet the employee in a private setting with witnesses; state the termination clearly; let the employee retain their dignity; pay salary and severance; ask the employee to sign an agreement not to sue; explain any benefits, such as insurance, that they have a right to; have the employee leave immediately; revoke their access by changing passwords and taking keys; and inform other employees of the termination.
8. **Explain how employee relations issues differ in global environments.** Most countries do not recognize employment-at-will. The strength of unions varies from weak to very strong. Paid time off also varies from none to extremely generous.

Key Terms

concerted activity
constructive discharge
discipline
dismissal
drug testing
Drug-Free Workplace Act of 1988
employee monitoring
employment-at-will doctrine
Fair Credit Reporting Act of 1971
honesty and integrity tests
hot-stove rule
implied employment contract
Polygraph Protection Act of 1988
Privacy Act of 1974
progressive discipline
social media
suspension
whistle-blowing
Worker Adjustment and Retraining Notification (WARN) Act of 1988
workplace romance
written verbal warning
written warning

HRM Workshop

Reviewing Important Concepts

1. What should an organization know about employee records? (LO 1)
2. What should be considered when developing a policy on employee use of social media? (LO 2)
3. Discuss issues involved in using honesty tests to screen job applicants. (LO 3)
4. What is employment-at-will? How does it affect employees? Employers? (LO 5)

5. Explain the potential advantages and disadvantages of having organizational policies that deal with workplace romance. (LO 6)
6. Describe the progressive discipline process as it would apply to an employee with a minor violation of workplace rules as opposed to a serious violation. (LO 6)

Evaluating Alternatives

7. The social media policy in your handbook states "Employees are not to use social media during work hours and should not make references the company online or on social media sites." Evaluate the effectiveness of the policy. In what ways can it help or hurt the organization? Should it be revised? If so, explain why and propose a revision of your own. (LO 2, 4, 6)
8. An employee is overheard telling a new worker, "Don't rush back from lunch. You'll make us look bad. Everyone takes an extra 15 to 30 minutes. Every once in a while we get warned if the supervisor is in a bad mood, but he never does anything about it." Evaluate the relationship between the behavior of the employees and the behavior of the supervisor. What must be done to eliminate the problem of long employee lunches? (LO 6)

Research and Communication Skills

9. Contact local employers and ask for copies of their employee handbooks. If none are available, research parent companies of local employers online to see if their employee handbooks are available. Compare the discipline, social media and, workplace romance policies of at least two handbooks. Report your findings to your class with three to four presentation slides. (LO 2, 6)
10. Review the three employee firing situations in the chapter opener. Individually or in teams, develop arguments for and against firing the employees in the situations. Present your arguments to your class, The actual court decisions? The dental assistant's firing was upheld because the firing was based on emotion and not sexual harassment. The firing of the automotive parts store employee was upheld. He had no expectation of privacy because he initiated the voice mail. The professor was reinstated after a 1-month suspension and psychological evaluation. (LO 6, 7)
11. Conduct some research on employee monitoring. In a presentation with at least five presentation slides, describe ways that employers can monitor on-site employee behaviors. In your research, cite the benefits and drawbacks for companies from implementing such a practice. (LO 4)
12. Provide an example where employee discipline was handled poorly. Explain what went wrong and write a scenario of how it could have been administered more appropriately. Consider presenting the "before" and "after" situations with role play or a short original video for your class. (LO 6)

Making a Difference SERVICE LEARNING PROJECTS

Effective communication is fundamental to helping employees understand policies and procedures that define rights and discipline in the workplace. These suggestions put your communication skills to work.

- Develop a social media campaign to assist a local nonprofit organization in communicating its purpose or services.
- Contact a local organization that assists people living with or recovering from addictions and determine how you can assist them. Be sure to learn how the organization establishes rules and discipline for clients.
- Humane Societies and animal shelters often need volunteers to train and socialize pets before they can be adopted. Note the similarities between the hot-stove approach and teaching appropriate behavior to the animals.

As you put your service learning experience together, keep a journal of your activities, the time you spend, contact information for people you work with, and your thoughts about the process. When you're finished, make a presentation to your class about the experience and what you learned. What concepts from Chapter 4 were you able to apply?

Case Application 4-A ACCOUNTANTS WITH A LICENSE TO CARRY MORE THAN JUST A BRIEFCASE

Isaac Murillo, the accounting manager at Precision Excavation was a hunter and gun collector. He and Kevin Carstens, an accountant who had worked for Precision for 5 months liked to talk about guns and occasionally bring guns from their collections to work to show each other. On September 1, Kevin Carstens was bragging that he had just received a concealed gun permit to Gloria Horner, an administrative assistant in the accounting department. Gloria asked Kevin if he had one with him. Kevin replied "No," and Gloria turned around in her chair and resumed working. Seconds later, Gloria felt something touch the hair on the back of her head. When she turned around, Kevin was laughing and holding a small gun. "I lied!" he chuckled and put the gun in his waistband and walked back to his desk. A very upset Gloria reported the incident to Isaac Murillo, the accounting manager, who apologized and said he would take care of it, reminding her that there was not a policy against having a weapon at Precision. The next day, Isaac told Gloria that Kevin Carstens had been warned about his behavior with the gun and wouldn't bring guns to work again.

On the evening of October 10, Kevin Carstens was arrested at the home of his ex-wife for threatening her with a loaded gun. The next morning, Maxwell Bauer, the HR manager at Precision asked Isaac Murillo, the accounting manager if he had any problems with Kevin in the past. Isaac said no, making no mention of the incident with Gloria. Maxwell , the HR manager explained that he was going to fire Kevin anyway.

A few minutes later, Gloria Horner appeared in the HR office and asked Maxwell if he knew that Isaac Murillo and Kevin Carstens had a mutual interest in guns. When he said no, Gloria went on to explain how Kevin had made her uncomfortable on September 1st by brandishing his gun in her presence.

Maxwell Bauer was furious that Isaac Murillo had not told him about the September 1st incident. He then called Isaac to his office and angrily chastised him for facilitating the "workplace gun show" and for not reporting the incident or disciplinary action to HR. Maxwell quickly created and distributed a "No Weapons" policy to all employees, stating:

> *To ensure that Precision Excavation maintains a workplace safe and free of violence for all employees, the possession or use of dangerous weapons on company property is strictly prohibited. A license to carry the weapon does not supersede company policy. Any employee violating this policy will be subject to prompt disciplinary action, up to and including termination. All company employees are subject to this provision, including contract and temporary employees, visitors and customers on company property including all contract work sites, company-owned vehicles and equipment, and parking lots under the company's ownership or control.*[55]

On November 22, Gloria Horner again appeared in Maxwell Bauer's HR office, visibly upset. "Would you please transfer me to another department? Ever since I told you about the guns at work, my boss Isaac has made me the scapegoat for anything that doesn't go his way. He's piling on the busy work and cutting my hours. It's affecting my home life and I just can't take it anymore. On top of that, he still talks about guns all the time and it really upsets me. Just today, I heard him talking to Harold Silva about deer season starting. Harold said he was taking the afternoon off to hunt and had his shotgun and coveralls in his truck in the parking lot."

Maxwell Bauer told Gloria to take the afternoon off with pay, and he would sort it all out before she came to work in the morning. Gloria gratefully accepted the offer and left. Maxwell Bauer was left to determine a course of action for Isaac Murillo, the accounting manager that he blamed for the whole gun mess and Harold Silva, a popular project manager with 25 years at the company who was in violation of the "No Weapons" policy because he had a shotgun in company parking lot.

Questions:

1. Prepare a disciplinary report for Isaac Murillo that explains a description and date of the problem(s), statement of policy, rule, or practice that was violated and type of warning or consequence being taken. Explain your choices. (LO 6)
2. What should Maxwell Bauer, HR manager do about Isaac's treatment of Gloria? (LO 6)
3. What factors need to be considered when deciding on a disciplinary action for Harold Silva? (LO 6)
4. **Research**: What can you find out about companies that do and do not allow employees to have guns or other weapons at work? What is their reasoning? What are the laws in your state? What is your opinion on the issue? (LO 6)

Case Application 4-B CASINO HAS NO SENSE OF HUMOR

David Steward wasn't planning on getting a lot of attention when he put up a *Dilbert* cartoon on the employee bulletin board at Catfish Bend Casino. He wasn't sure anyone saw him do it at all, but sure enough, a surveillance camera was watching.

Morale at Catfish Bend was pretty low when the company announced that the casino would be closing, and 170 workers would be laid off. Steward thought the *Dilbert* cartoon would cheer the workers up. In the strip, *Dilbert* had the following exchange with a garbage man:

> DILBERT: Why does it seem as if most of the decisions in my workplace are made by drunken lemurs?
> GARBAGE MAN: Decisions are made by people who have time, not people who have talent.
> DILBERT: Why are talented people so busy?
> GARBAGE MAN: They're fixing the problems made by people who have time.

Managers checked the surveillance tape, found that Steward had posted the offensive cartoon, and fired him. Steve Morley, human resource director at the casino, said that "upper management found the cartoon to be very offensive." Morley went on to say, "Basically, he was accusing the decision makers of being drunken lemurs. We consider that misconduct when you insult your employers."

Steward tried to claim that the firing was wrong, considering he had worked at the casino for 7 years without a problem, and that he deserved unemployment pay, but the casino disagreed. *Dilbert* cartoonist Scott Adams tried to come to Steward's aid. "Most *Dilbert* comics don't come right out and call management a bunch of drunken lemurs," Adams said. "So I can see how this one might have been a tad over the line." Adams also said that Steward's dismissal might be the first confirmed instance of a worker being fired for posting a *Dilbert* strip. Adams published a follow-up comic:

> BOSS: Our surveillance cameras caught you posting this anti-management comic on the wall.
> BOSS: This comic compares managers to drunken lemurs.
> BOSS: Do you think drunken lemurs are like managers?
> DILBERT: No. Some lemurs can hold their liquor.

Management was not amused and still refused to pay jobless benefits. Steward appealed to an administrative law judge, claiming that putting the cartoon up was an error in judgment, not intentionally breaking any rules or being disrespectful. The judge ruled in Steward's favor and awarded him unemployment benefits. In the judge's ruling, she stated that posting the comic was a "good-faith error in judgment," not intentional misbehavior.

Source: The Des Moines Register, (December 19, 2007), pp. 1, 10.

Questions:

1. If the casino had a policy of using progressive discipline and the hot-stove approach, evaluate the actions of the Human Resource Director in disciplining Steward. (LO 4, 6)
2. Does the surveillance camera present any ethical or legal problems? Why or why not? (LO 4)
3. The actions of the judge seem to ignore the doctrine of employment-at-will. Do the exceptions to the doctrine explain the actions of the judge? (LO 5)
4. Could Steward have successfully claimed that the cartoon was protected concerted speech? Why or why not? (LO 2, 6)
5. **Research:** Would the situation have been any different if Steward had posted the comic on social media? Search online for cases where employees posted cartoons or articles on social media and were disciplined by employers. Explain the outcome of those situations. (LO 2, 6)

TongRo/Getty Images, Inc.

5

Human Resource Planning and Job Analysis

If you look around you right now, you'll probably see something produced by Samsung, but for most of their 77-year history, they weren't known outside of Korea. In 1993, management took a hard look at their current situation. What they saw was a second-class company with leadership based on seniority and Eastern philosophies with a strategy of making low-cost products that didn't have a great reputation for quality. It wasn't a recipe for success in a global economy.

A strategic change was in order, but fresh management talent was necessary to make the new strategy of growth, globalization, and innovation successful. Their transformation would depend on creating a hybrid of Eastern and Western philosophies with a close link between business strategy and HR planning. Their talent management philosophy was to be "Focused on hiring the best—regardless of nationality—paying market-rates based on merit and empowering talent for maximum contribution." To accomplish this, they created two management career tracks, Regional Specialists and the Global Strategy Group (GSG).

The Regional Specialist Program is an "inside-out" program that involves identifying high-potential employees with over 4 years at Samsung. These employees are sent to live in another country for 1–2 years to learn the language and culture of the country and the region. No work is involved, just get to know the way people live and work. At the end of the assignment, they return to Korea with a fresh perspective that helps Samsung accomplish their strategic goals.

The GSG operates in an opposite "inside-out" manner. High-caliber talent from the 16 best non-Korean MBA programs is hired and brought to Korea to learn from senior management at Samsung. Through a program of training, job rotations, cultural education, and mentorships, participants in the GSG learn cross-cultural communication and leadership.

Graduates of both programs are assisted in transitioning to positions in one of Samsung's 27 affiliate companies, new business development, in-house consulting, or strategic management.[1]

Looking Ahead

How well do you think Samsung has accomplished its strategic objectives? Would similar talent management programs work for U.S.-based companies? Which program would you prefer to participate in? Would your participation increase your job satisfaction or motivation?

LEARNING OUTCOMES

After reading this chapter, you will be able to:

1. Describe the steps in the human resource planning process and how HRIS facilitates planning.
2. Explain what job analysis is, the steps in the process, and how important information is collected.
3. Explain the purpose, importance, and elements of job descriptions.
4. Explain how job design can contribute to employee job satisfaction, morale, and productivity.
5. Explain flexible scheduling alternatives and their benefits.

Introduction

Samsung recognized that their transition from regional manufacturer to innovative global leader would take more than a shift in strategy. It was necessary to attract, train, and retain management talent that had a global perspective and cultural understanding of not only Korea but also the regions in which they wished to expand. In order to accomplish their strategy, it was necessary to partner with HR to design a plan to hire people who were not only skilled and smart, but were willing to learn new cultures.

In Chapter 2, we examined the importance and process of strategic planning for an organization. Once the organizational strategy is established, HR gets to work to determine the knowledge, skills, and abilities (KSAs) necessary to successfully accomplish the tasks necessary to implement the strategy. Tasks must then be organized into jobs. In this chapter, we will examine how clear-cut planning and a direct linkage to the organization's strategic direction affect the processes of hiring and training.

How well do you think that Samsung's strategic change in the chapter opener would have succeeded without the accompanying shift in HR planning and strategy? What if the participants in the Regional Specialist Program or the Global Strategy Group left at the end of their program to work for a competitor instead of staying to help Samsung achieve strategic goals? In this chapter, we'll examine how effective human resource planning can increase retention, improve job satisfaction, motivation, and productivity by matching employees with jobs that are well designed and have a clear connection to the mission of the organization (Exhibit 5-1).

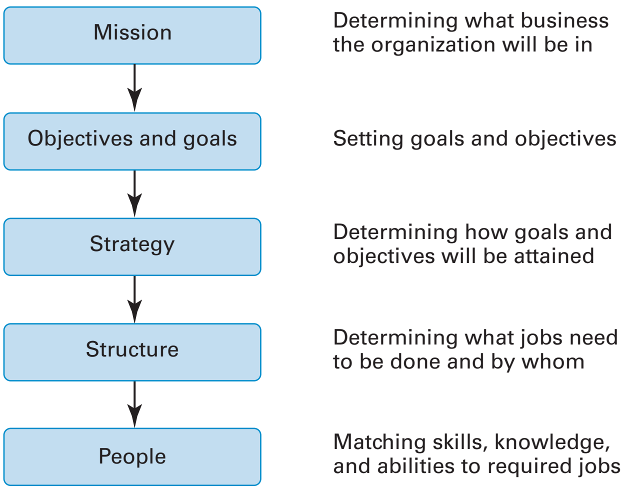

Mission
Determining what business the organization will be in
Objectives and goals
Setting goals and objectives
Strategy
Determining how goals and objectives will be attained
Structure
Determining what jobs need to be done and by whom
People
Matching skills, knowledge, and abilities to required jobs

Exhibit 5-1

The Strategic Direction—Human Resource Linkage

The organization's mission guides all strategy and structure. The link between the mission and the work people do should be clear on every level.

TIPS FOR SUCCESS

Where the Jobs Are

If you can't find a job or internship, you might find it hard to believe that some employers are having trouble finding qualified people for good jobs, but it's true! In a recent survey by Manpower Group, 40 percent of U.S. employers and 36 percent of employers globally report having problems in filling positions.

The major reasons include applicants that do not have adequate technical skills, lack necessary soft skills, do not have enough experience, or require more pay that the position offers. Manpower explains that over time jobs have changed, requiring different, and frequently more technical skills. The hardest to fill jobs include the following:[10]

- Skilled trade workers
- Restaurant and hotel staff
- Sales representatives
- Teachers
- Drivers
- Accounting and finance staff
- Laborers
- IT staff
- Engineers
- Nurses

Linking Organizational Strategy to Human Resource Planning

The purpose of human resource planning is to determine what the organization's current employment requirements are as well as anticipate needs for the future. For example, if a company has set as one of its goals to expand its international divisions over the next 5 years, HRM will need to find skilled employees who are able to handle the jobs. As we discussed in Chapter 2, **human resource planning/workforce planning** ensures that the organization has the right number and kinds of employees at the right place, at the right time, capable of effectively and efficiently completing those tasks necessary to successfully accomplish the strategic objectives.

human resource planning/workforce planning
Process of determining an organization's human resource needs.

Assessing Current Human Resources

Assessing current human resources begins by developing a profile of the organization's current employees. This internal analysis includes identifying the number of people and skills necessary to support business plans and evaluating the skills and strengths of current staff. **Human resource information system (HRIS)** software makes it easier for most organizations to generate an effective and detailed human resources inventory report. The input for this report comes from applications and other forms completed by employees and checked by supervisors including education, training, prior employment, current position, performance ratings, salary level, languages spoken, capabilities, and specialized skills for all employees. For example, HRIS would be very helpful to Samsung HRM in identifying Korean managers with 4 years of experience that would be good candidates for the Regional Specialist Program.

human resource information system (HRIS)
A computerized system that assists in the processing of HRM information.

From a planning viewpoint, this information is valuable in determining what skills are currently available in the organization. The HRIS database also has value in other HRM activities, such as selecting individuals for training and development, promotion, and transfers. The HRIS database can also identify skill gaps that may threaten the organization's ability to successfully meet its goals.

In Chapter 2, we also discussed Talent Management as a concept that prizes talented employees and focuses HR practices on hiring them and keeping them by helping them develop their skills and realize their potential. Retaining these talented employees is crucial, and HRM must help managers understand that they play a critical role reducing employee turnover. It is estimated that about 75 percent of the reasons employees quit their jobs and leave organizations are within the control of managers, such as being honest with employees, giving them challenging work, and recognizing them for their performance.[6]

HRIS have become valuable talent management resources for HR professionals. Many competitive vendors provide HRIS systems that fit any size of business and run on nearly any platform including smart phones and tablet computers such as iPads. Employers have the choice of hosting the data themselves or using software-as-a-service (SaaS), which delivers the necessary services over the Internet, usually for a contracted amount of time.[7]

Succession Planning Organizations that are concerned about having a supply of people ready to jump into management positions use **succession planning** to track individuals that are ready to move into a position of higher responsibility. A **replacement chart** highlights critical management positions and individuals with the skills necessary to move into those positions when they become available. Organizations that rely heavily on the skills and leadership of the baby-boom generation are likely to see skill gaps without effective succession planning.[8] Investors are increasingly demanding that large organizations develop and announce succession plans for top executives, hoping to avoid a crisis of leadership that could lead to financial problems if a chief executive officer (CEO) were to unexpectedly quit or die.[9]

Each individual manager's skills inventory is compared to the list of positions in order to determine if there is sufficient managerial talent to cover potential future vacancies. Should skill shortages exist, HRM can either recruit new employees or intensify employee development efforts. At Intel, for example, succession starts shortly after an individual is hired. Employees marked for promotions are coached on management activities and are extensively trained to assume positions of greater responsibility.

Replacement charts look similar to traditional organizational charts. Current job holders are listed in their positions, and those individuals targeted to replace them are listed beneath with the expected time in which they will be prepared to take on the needed responsibility. The HRIS report in Exhibit 5-2 includes a table with succession information.

© flyfloor/iStockphoto

How long will these employees stay with their employer? They may stay longer if HR uses a talent management approach to get and keep the best talent by using HRM best practices and HRIS to support those practices and track effectiveness.

succession planning Identifying employees that are ready to move into management positions.

replacement chart HRM organizational charts indicating positions that may become vacant in the near future and the individuals who may fill the vacancies.

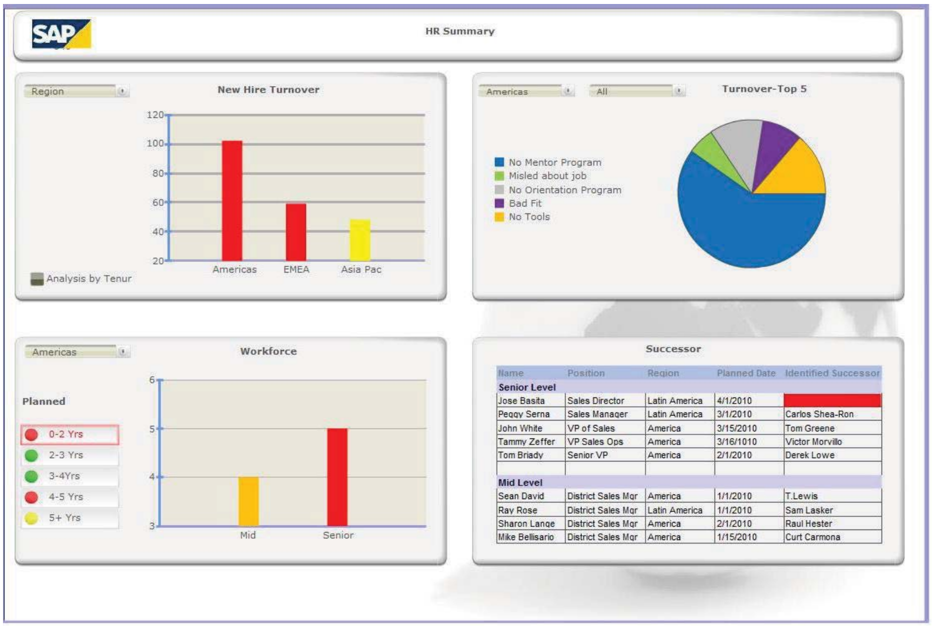
Determining the Demand for Labor

Once an assessment of the organization's current human resources situation has been made and the future direction of the organization has been considered, it's time to develop a projection of future human resource needs. This means performing a year-by-year analysis for every significant job level and type, creating a human resource inventory reaching years into the future. These inventories are usually comprehensive and complex.

Predicting the demand for workers requires analysis of relevant variables such as changes in sales volume, economic factors, available technology, employee turnover rates, industry growth, and demographics of the community and workforce. These factors can be analyzed in a statistical analysis that determines trends which indicate whether the number of employees will need to increase, decrease, or stay the same. This is very similar to the types of analysis used to predict demand for a product or growth of the economy. The results of the analysis may indicate that an employer may experience labor shortages in critical fields such as engineering and supply chain analysts, while at the same time experiencing an oversupply of production workers and a need to cut the overall workforce.

Exhibit 5-2
HRIS Software

HRIS Software organizes HR data to help decision makers be more effective and measure results with dashboards like this one from SAP.



Successor

Name	Position	Region	Planned Date	Identified Successor
Senior Level				
Jose Basita	Sales Director	Latin America	4/1/2010	🟥
Peggy Serna	Sales Manager	Latin America	3/1/2010	Carlos Shea-Ron
John White	VP of Sales	America	3/15/2010	Tom Greene
Tammy Zeffer	VP Sales Ops	America	3/16/1010	Victor Morvillo
Tom Briady	Senior VP	America	2/1/2010	Derek Lowe
Mid Level				
Sean David	District Sales Mgr	America	1/1/2010	T.Lewis
Ray Rose	District Sales Mgr	Latin America	1/1/2010	Sam Lasker
Sharon Lange	District Sales Mgr	America	2/1/2010	Raul Hester
Mike Bellisario	District Sales Mgr	America	1/15/2010	Curt Carmona

Source: © SAP SE. All rights reserved.

Examining the Internal Labor Supply

Estimating changes in internal supply requires HRM to look at those factors that can either increase or decrease its employee base. Internal transfers and promotions may or may not create openings for external candidates, but departures from the company or creating additional positions require HR to find replacements with appropriate skills and experience from the external labor force. These replacements may come from a combination of four sources: new hires, contingent workers, transfers in, or individuals returning from a leave of absence.

Decreases in the internal supply can come about through retirements, dismissals, transfers out of the unit, layoffs, voluntary quits, sabbaticals, prolonged illnesses, or deaths. Some of these occurrences are obviously easier to predict than others. The easiest to forecast are retirements, assuming that employees typically retire after a certain length

ETHICAL ISSUES IN HRM

Shades of Green

"Everybody wants to be green," exclaims one contractor who found new life in the "green" construction business. "It's a great selling feature for any business."[2] But what actually qualifies as a "green" job? As sustainability becomes a priority for consumers, communities, and investors, the definition is in question.

The Society of Human Resource Management (SHRM) defines green jobs as those that meet the need for environmentally responsible production and work processes and the development of green goods and services. This includes "reducing pollution or waste, reducing energy usage, and reducing use of limited natural resources."[3] Examples include jobs that involve: reducing pollution or waste, reducing energy usage, reducing use of limited natural resources, protecting wildlife or ecosystems, lowering carbon emissions, and developing alternative energy. In a recent survey, SHRM found that 81 percent of responding companies were adding green duties to existing positions, but only 23 percent were adding completely new green positions. You've probably noticed consumer sentiment moving toward greener alternatives when they spend their "green." Businesses have noticed, too. Starbucks is rewarding coffee farmers who use environmentally and socially sound growing practices,[4] and McDonald's serves "Rainforest Alliance-certified" coffee and promotes sustainable fishing.[5]

Ethical questions:

How far can employers stretch the "green jobs" label before it loses legitimacy? Does Starbucks or McDonald's policy of rewarding their coffee suppliers who use sustainable growing practices mean that they are green employers? How "green" do they need to be? Is the SHRM definition adequate?

of service and the fact that most organizations require some advance notice of one's retirement intent. Given a history of the organization, HRM can predict with some accuracy how many retirements will occur over a given time period. Remember, however, that retirement, for the most part, is voluntary. Under the Age Discrimination in Employment Act, an organization cannot force employees to retire, with the exception of airline pilots who must retire at age 65.

At the other extreme, voluntary resignations, prolonged illnesses, and deaths are difficult to predict. Although large organizations such as Verizon or General Motors can use probability statistics to estimate the number of deaths that will occur among its employee population, such techniques are useless for forecasting in small organizations or estimating the exact positions that will be affected in large ones. Voluntary resignations can also be predicted by utilizing probabilities when the population size is large. In a company like Microsoft, managers can estimate the approximate number of voluntary resignations during any given year. In a department consisting of two or three workers, however, probability estimation is meaningless. Weak predictive ability in small units is unfortunate, too, because voluntary resignations typically have the greatest impact on such units.

In between the extremes—transfers, layoffs, sabbaticals, and dismissals—forecasts within reasonable limits of accuracy can be made. Of the four, transfers out of a unit, such as lateral moves, demotions, or promotions, are the most difficult to predict because they depend on openings in other units. Layoffs are more controllable and anticipated by management, especially in the short run. Sabbaticals, too, are reasonably easy to forecast, since most organizations' sabbatical policies require a reasonable lead-time between request and initiation of the leave. Surprises do happen, requiring HR to act quickly. For example, in 2008, Best Buy was forced to react quickly as the economic downturn dramatically reduced sales. They responded by offering a voluntary severance package to nearly all of the 4,000 employees at their Minneapolis area headquarters. The offer was accepted by 500 employees.

Dismissals based on inadequate job performance can usually be forecast with the same method as voluntary resignations, using probabilities where a large number of employees are involved. Additionally, performance evaluation reports are usually a reliable source for isolating the number of individuals whose employment might have to be terminated at a particular point in time due to unsatisfactory work performance.

One way organizations track the internal supply is by creating **staffing tables**. This involves creating a table that includes the jobs within the organization and the number of people currently holding the job. This may be combined with a statistical analysis to indicate the number of employees needed for each position in the future.

staffing table
Table including jobs in the organization, number of people holding those jobs and future requirements.

Where Will New Workers Come From?

After organizations take a look at the people who are already within the organization, they consider the supply of workers preparing for jobs and those already in the job market. This includes high-school and college graduates, as well as those who received highly specialized training through an alternative supplier of job skills training. Entrants to the workforce from sources other than schools may also include men and women seeking full- or part-time work, students seeking work to pay for their education or support themselves while in school, employees returning from military service, job seekers who have been recently laid off, and so on. Migration into a community may also increase the number of individuals seeking employment opportunities and represent another source for the organization to consider as potential additions to its labor supply.

The potential supply can be quite different than what a quick look at the traditional sources of supply would lead us to believe. For example, with additional training, a sales representative can become qualified to perform the tasks of a district sales manager; thus, an organization having difficulty securing individuals with skills and

Layoffs have become a common way for companies to cut costs including Kellogg's layoff of 2,200 employees because of reduced demand for breakfast cereal.

Kellogg's
Special K
NEW!
low carb lifestyle
$3.65
Complete

Richard Sheinwald/Bloomberg via/Getty Images, Inc.

experience in sales management should consider those candidates who have had recent sales or similar experience and are interested in being managers. In similar manner, the potential supply for many other jobs can be expanded.

Matching Labor Demand and Supply

The objective of employment planning is to bring together the forecasts of future demand for workers and the supply for human resources, both current and future. The result of this effort is to pinpoint shortages of applicants and skills, highlight areas where overstaffing may exist (now or in the near future), and identify the opportunities existing in the labor market to hire qualified employees.

reduction in force (RIF)/downsizing
Reducing the size of a company's workforce to lower expenses.

Overstaffing may mean organization has too many employees or employees with the wrong skills. When this happens, HRM must downsize the workforce, also called a **reduction in force (RIF)/downsizing**. For example, when NASA ended the space shuttle program in a strategic change to focus on travel further out in the solar system, it didn't need all of the technicians, support staff, and engineers that had worked on the shuttle program. When the reduction in force was complete, over 7,000 NASA employees lost their jobs.[11] Downsizing might also occur as a result of financial difficulty, mergers, plant closings, offshoring, changes in technology that replace workers, or organizational restructuring. It is estimated that over 50 percent of employees have experienced a layoff due to downsizing or restructuring at some point in their careers.[12]

The decision of who to dismiss is a difficult one. The decision may be based on seniority, job performance, or the position with the organization. If a union is present, there will usually be an agreement to make the decision based on seniority with the most recent hires being laid off first.

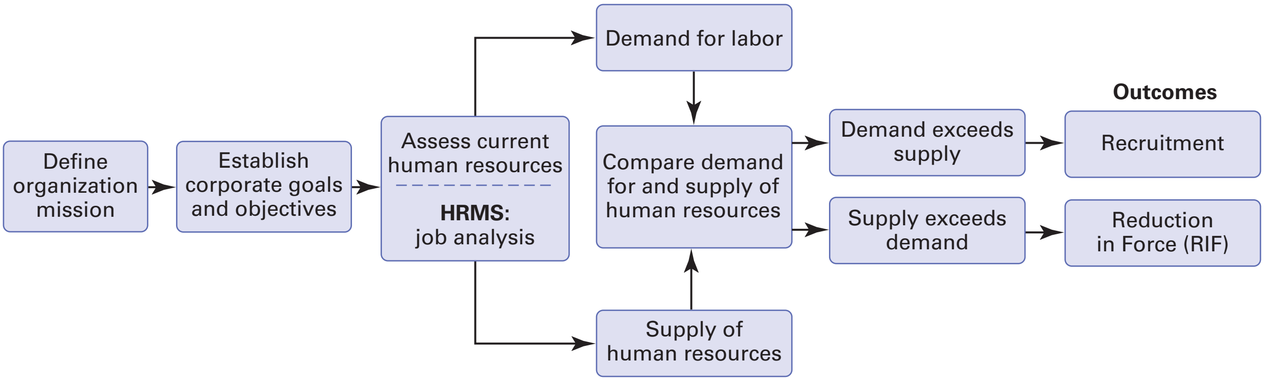
Downsizing is not without cost. In addition to severance package costs, the remaining employees may suffer low morale and productivity for many reasons:

- They may feel survivor guilt after their coworkers have lost their jobs.
- They may feel insecurity because of a belief they are next in line to go.
- Increased workload may result from the same amount of work being distributed to fewer employees.
- Valued employees may leave to seek opportunities at organizations they consider to be more stable.
- Organizational culture may suffer if fewer people within the organization are able to pass on "the way we do things here."

One company's loss may become another's hiring opportunity. During the same week 2,800 NASA employees received layoff notices, SpaceX listed over 200 openings on its career site including "Astronaut Safety Engineer" and "Space Suit Design Engineer." Financial services workers left jobless during the financial crisis have been hired by companies who value their transferable skills such as project management, IT, sales, and marketing. The downturn in the housing industry was beneficial for companies such as Home Depot that were able to hire construction and skilled trade workers with valuable construction expertise as sales associates.

Exhibit 5-3
Employment Planning and the Strategic Planning Process

The organizational mission is the guide for organizational strategy. HR analyzes the tasks to be done and figures out how to organize those tasks into jobs. The next step is to determine how many workers are necessary to fill those jobs and the skills they will need. Strategic or environmental changes may require HRM to reduce or increase the number of workers.


Define organization mission
Establish corporate goals and objectives
Assess current human resources
HRMS: job analysis
Demand for labor
Supply of human resources
Compare demand for and supply of human resources
Demand exceeds supply
Supply exceeds demand
Outcomes
Recruitment
Reduction in Force (RIF)

The Job Analysis Process

The philosophy behind the **job analysis** process is simple. The organization needs to know what every employee's job entails: what they do, how they do it, and what they need to know. It involves gathering data about the job and interpreting what it means about the tasks and responsibilities of the position. It encompasses tracking employee's tasks, observing, and interviewing the employees that hold the position, and getting input from those who manage or work with the person in the position.[13]

Without a thorough job analysis and resulting **job description**, there could very well be a mismatch between the employee's skills and expectations and the reality of the day-to-day tasks required for the job. This can result in low morale, lack of motivation, and high turnover.

job analysis
Provides information about jobs currently being done and the knowledge, skills, and abilities that individuals need to perform the jobs adequately.

job description
A statement indicating what a job entails.

Step by Step

Job analysis creates a definition of each position so that its role in accomplishing the organizational goals and objectives is clear. Once this is understood, the job description is created. In order to do that, several steps are helpful.

Understand the Purpose of Conducting the Job Analysis: Before embarking on a job analysis, HRM must understand the nature and purpose of conducting the investigation. Recognize that the resulting job description serves a vital purpose in recruiting, training, setting performance standards, evaluating performance, and compensation. In fact, nearly every activity in HRM revolves around the job analysis.

Understand the Role of Jobs and Values in the Organization: Every job in the organization should have a purpose. Before conducting the job analysis, HRM must establish the job's link to the organization's strategic direction. If a link cannot be established, then maybe the job is unnecessary.

Benchmark Positions: In a large organization, it would be impossible to evaluate every job at one time. Accordingly, by involving employees and seeking their input, selected jobs can be chosen based on how well they represent other, similar jobs in the organization. This information serves as a starting point in later analysis of other positions.

Determine How you Want to Collect Job Analysis Information: Proper planning at this stage permits you to collect the desired data in the most effective and efficient manner. This means developing a process for collecting data. Several of the methods explained in this chapter should be combined, such as structured questionnaires, group interviews, and technical conferences. Select the ones that best meet your job analysis goals and timetables.

Seek Clarification, Wherever Necessary: When the job analyst doesn't entirely understand some of the information collected, it's time to seek clarification from those who possess the critical information, including employees holding the position and the supervisor. Clearly understanding and comprehending the information will make the next step in the job analysis process—writing the job description—easier and more productive.

Develop the First Draft of the Job Description: Job description formats vary, but common elements include the job title, a summary sentence of the job's main activities, the job's level of authority and accountability, performance requirements, and working conditions. The last paragraph of the job description typically includes the job specifications, or those personal characteristics the job incumbent should possess to be successful on the job.

Review Draft with the Job Supervisor: Ultimately, the supervisor of the position being analyzed should approve the job description. Review comments from the supervisor can assist in determining a final job description document. When the description is an accurate reflection, the supervisor should either sign off or approve the document.

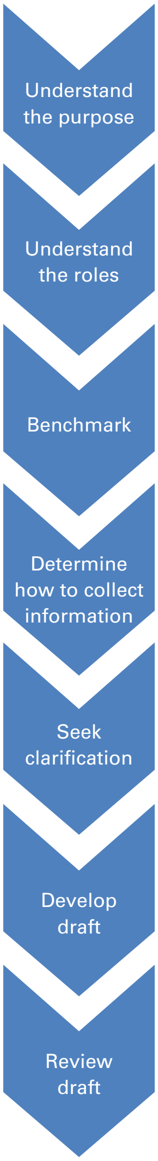


Exhibit 5-4
Steps in a Job Analysis

Job analysis begins with a clear understanding of the job and its link to organizational strategy. HR next determines the tasks necessary to successfully complete the job, and then determines the skills necessary to complete those tasks. Workers and supervisors need to be involved in the process.

Sources of Information

The basic methods by which HRM can determine job elements and the essential KSAs for successful performance include the following:

observation method
A job analysis technique in which data are gathered by watching employees work.

Observation Method Using the **observation method**, a job analyst watches employees directly or reviews films of workers on the job. Although the observation method provides first-hand information, workers rarely function most efficiently when they are being watched, and thus distortions in the job analysis can occur. This method also requires that the entire range of activities be observable, which is possible with some jobs, but impossible for many others—for example, most managerial jobs.

individual interview method
Meeting with an employee to determine what his or her job entails.

Individual Interview Method The **individual interview method** involves interviewing the employees who are actually doing the job. Their input and cooperation results in detailed and sometimes unexpected information about the position.

group interview method
Meeting with a number of employees to collectively determine what their jobs entail.

Group Interview Method The **group interview method** is similar to the individual interview method except that several people who hold the position are interviewed simultaneously. This may result in a more accurate picture of the position, but it's also possible that group dynamics distort the information.

structured questionnaire method
A specifically designed questionnaire on which employees rate tasks they perform in their jobs.

Structured Questionnaire Method The **structured questionnaire method** gives workers a specifically designed questionnaire on which they check or rate items they perform in their job from a long list of possible task items. This technique is excellent for gathering information about jobs. However, exceptions to a job may be overlooked, and opportunity may be lacking to ask follow-up questions or to clarify the information received.

technical conference method
A job analysis technique that involves extensive input from the employee's supervisor.

Technical Conference Method The **technical conference method** uses supervisors with extensive knowledge of the job, frequently called subject matter experts. Here, specific job characteristics are obtained from the experts. Although it is a good data-gathering method, it often overlooks the workers' perceptions about what they do on the job.

diary method
A job analysis method requiring job incumbents to record their daily activities.

Diary Method The **diary method** requires job incumbents to record their daily activities. This is the most time consuming of the job analysis methods and may extend over long periods of time—all adding to its cost.

The best results are usually achieved with some combination of methods—with information provided by individual employees, their immediate supervisors, a professional analyst, or an unobtrusive source such as video observations (Exhibit 5-4).

Structured Job Analysis Techniques

The Department of Labor's O*NET Content Model and the Position Analysis Questionnaire also provide information that is valuable for the job analysis process.

O*NET and the Department of Labor The O*NET database contains information on hundreds of careers, and is continually updated and provided online at no cost. Careers are categorized using the Standard Occupational Classification (SOC), which is used by government and industry. These upgrades to the nation's database of job information were necessary because of new workforce requirements, including changes in technology, society, law, growth in the service sector, or business practices that are leading to new and emerging occupations such as those involved in new technology or global business.

The heart of O*NET is the Content Model (see Exhibit 5-5), which describes the different mix of KSAs necessary and the activities and tasks performed. These are categorized in six domains that describe the day-to-day aspects of the job, qualifications, and interests of the typical worker. These include the following:

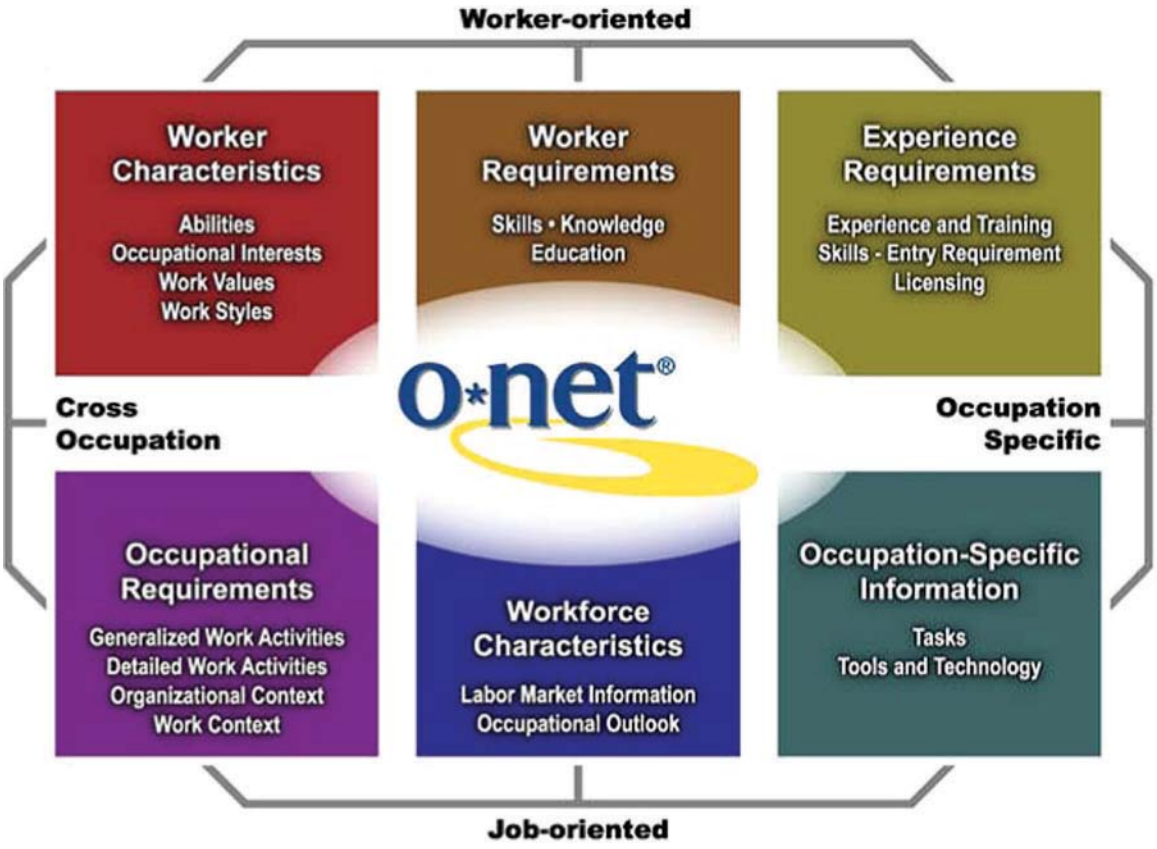

Worker-oriented
Worker Characteristics
Abilities
Occupational Interests
Work Values
Work Styles
Worker Requirements
Skills • Knowledge
Education
Experience Requirements
Experience and Training
Skills - Entry Requirement
Licensing
Cross Occupation
O*net®
Occupation Specific
Occupational Requirements
Generalized Work Activities
Detailed Work Activities
Organizational Context
Work Context
Workforce Characteristics
Labor Market Information
Occupational Outlook
Occupation-Specific Information
Tasks
Tools and Technology
Job-oriented

Exhibit 5-5
Department of Labor O*NET Job Content Model

The O*NET Content Model provides a detailed description of the knowledge, skills, and abilities that a worker will need to perform the everyday tasks of a job. O*NET replaced the popular Dictionary of Occupational Titles (DOT).

Worker Characteristics that influence the ability to learn and perform the necessary tasks. These categories include abilities, occupational interests, work values, and work styles.

Worker Requirements describing the attributes that workers need to acquire through experience and education, including basic skills, cross-functional skills, knowledge, and education.

Experience Requirements related to previous work experience and influencing work activities. These include experience and training, basic and cross-functional skills necessary for entry level, and licensing or certificates necessary.

Occupation-Specific Information that applies to the job such as tasks or necessary tools and technology.

Workforce Characteristics that describe the labor market, wages, and outlook for future employment opportunities.

Occupational Requirements that explain detailed occupational requirements such as general and detailed work activities or behaviors, descriptions of the type of organization that usually employs this occupation, or the context of the work.[14]

Position Analysis Questionnaire Developed by researchers at Purdue University, the **Position Analysis Questionnaire (PAQ)**, generates job requirement information applicable to all types of jobs. In contrast to the DOL approach, the PAQ presents a more quantitative and finely tuned description of jobs. The PAQ procedure involves "194 elements that are grouped within 6 major divisions and 28 sections"[15] (see Exhibit 5-6).

Position Analysis Questionnaire (PAQ) A job analysis technique that rates jobs on elements in six activity categories.

The PAQ allows HRM to scientifically and quantitatively group interrelated job elements into job dimensions. This, in turn, should allow jobs to be compared with each other. However, research on the PAQ's usefulness is suspect. For the most part, it appears more applicable to higher-level, professional jobs, possibly because of the advanced reading level necessary to complete the questionnaire.

Exhibit 5-6
PAQ Categories and Their Number of Job Elements

The Position Analysis Questionnaire is an alternative to the O*NET Content Model. The Position Analysis Questionnaire provides a more quantitative approach to analyzing the knowledge, skills, and abilities necessary to perform a job on a day-to-day basis.

Category	Number of Job Elements
1. *Information input:* Where and how does the worker get the information he or she uses on the job?	35
2. *Mental processes:* What reasoning, decision making, planning, and so on, are involved in the job?	14
3. *Work output:* What physical activities does the worker perform and what tools or devices are used?	49
4. *Relationships with other people:* What relationships with other people are required in the job?	36
5. *Job context:* In what physical and social contexts is the work performed?	19
6. *Other job characteristics:* What special attributes exist on this job (e.g., schedule, responsibilities, pay)?	41

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Job Descriptions

No matter what method you use to gather data, the information collected and written down from the job analysis process generates three tangible outcomes: job descriptions, job specifications, and job evaluation. Let's look at them more closely.

A job description is a written statement of what the jobholder does, how the job is done, under what conditions, the essential functions, how the work is to be completed, what the purpose of the work is, and how it relates to the organizational mission (see Exhibit 5-7). It should accurately portray job content, environment, and conditions of employment. Although there is no standard format for job descriptions, a common format for a job description includes the following:

Identifying information with the title of the job, whether the job is exempt or nonexempt under the FSLA and if it's full- or part-time, a job identification code, which is sometimes the O*NET code, the department location of the job, who the person reports to, the date the description was last revised, and the salary range or grade.

Supervisory responsibilities if the position is responsible for supervising others, those responsibilities will be listed here.

Job summary including an outline of the job responsibilities and how it relates to other positions and the organizational mission.

essential functions
Activities that are core to a position and cannot be modified.

Essential functions with a detailed list of tasks, duties, and responsibilities an employee absolutely must be able to perform to successfully fill a position. An accurate list is important to avoid hiring decisions that may seem inconsistent, unfair, or discriminatory. The activities are core to performing the job and cannot be modified. If specific skills or abilities are necessary they must be included. For example, airline pilots need acceptable vision to fly a plane; firefighters need to be able to lift and carry heavy equipment or possibly even people; and receptionists must be able to greet people, answer phones, and use computers. The ADA requires employers to give equal consideration to applicants that can perform the essential functions of a position with "reasonable accommodation."[16] Employers who do not have job descriptions or with job descriptions that do not outline the essential functions may have difficulty explaining why a disabled candidate cannot fill the position. Essential functions may be further divided into sections including essential mental functions and essential physical functions, major and minor. Accuracy is also important so employees clearly understand what is expected.

job specifications
Statements indicating the minimal acceptable qualifications incumbents must possess to successfully perform the essential elements of their jobs.

Job specifications state the minimum acceptable qualifications that the incumbent must possess to perform the job successfully. Based on information acquired through

Exhibit 5-7

Example of a Job Description

This job description details the duties, responsibilities, and necessary qualifications for a benefits manager in the human resources department. People holding the position and their supervisors were most likely consulted in the process of developing this job description.

Job Title: Benefits Manager
Job Code: 11-3041.00
Department: Human Resources
Reports to: Director, Human Resources

Supervises: Staff of three
FLSA: Exempt
Effective Date: July 30, 2016

Job Summary: Manages employee benefits program for organization

Essential Functions:

- Plans and directs implementation and administration of benefits programs designed to insure employees against loss of income due to illness, injury, layoff, or retirement.
- Directs preparation and distribution of written and verbal information to inform employees of benefits programs, such as insurance and pension plans, paid time off, bonus pay, and special employer-sponsored activities.
- Analyzes existing benefits policies of organization and prevailing practices among similar organizations to establish competitive benefits programs.
- Evaluates services, coverage, and options available through insurance and investment companies to determine programs that best meet the needs of the organization.
- Plans modification of existing benefits programs, utilizing knowledge of laws concerning employee insurance coverage and agreements with labor unions, to ensure compliance with legal requirements.
- Recommends benefits plan changes to management and notifies employees and labor union representatives of changes in benefits programs.
- Directs performance of clerical functions such as updating records and processing insurance claims.
- May interview, select, hire, and train employees.

Job Specifications:

- Specialized Knowledge/Skills: General knowledge of policies and practices involved in human resource management functions—including recruitment, selection, training, and promotion regulations and procedures; compensation and benefits packages; labor relations and negotiation strategies; and human resource information systems. Excellent written and verbal communications skills as well as deductive and inductive reasoning skills are critical.
- Education/Experience: 2–4 years of experience in analysis, design, and/or administration of benefits. A bachelor's degree is preferred.
- Training/Equipment: Strong MS Office skills including Word, Excel, and PowerPoint will be useful. HRIS experience a plus, especially PeopleSoft.
- Work Environment/Physical Requirements: Fast-paced general office environment. Regular travel is not expected in this position.

job analysis, the job specifications identify pertinent knowledge, skills, education, experience, certification, and abilities. Individuals possessing the personal characteristics identified in the job specification should perform the job more effectively than those lacking these personal characteristics.[17] The job specifications are important in the selection process to determine whether candidates are qualified.

Disclaimer statement that indicates that the job description isn't an exclusive list of the activities the employee may need to perform. "Other duties as assigned" is a common part of the disclaimer.

When we discuss employee recruitment, selection, and performance appraisal in later chapters, it will be clear that the job description acts as an important resource for (1) describing the job to potential candidates (either verbally by recruiters and interviewers or in written advertisements), (2) guiding newly hired employees in what they are specifically expected to do, (3) developing criteria for evaluating performance of the individual holding that job, and (4) establishing the relative worth of the job for compensation. Also, job descriptions have taken on an added emphasis in clearly identifying essential job functions and job specifications for the Americans with Disabilities Act.

Maintaining Job Descriptions

Job descriptions need to be reviewed and updated at regular intervals, usually annually. If the organization is growing rapidly or undergoing a change in strategy, it may be necessary to review job descriptions more often. At the very minimum, the job descriptions should be reviewed whenever the position is open. Unfortunately, HR professionals often have a variety of issues competing for their time and attention, so preventive maintenance of job descriptions often slides to the bottom of the "to do" list. Let's look at a few reasons to make updating a priority.

- Out-of-date job descriptions may have essential responsibilities that are no longer relevant, making the employer vulnerable to claims that invalid job descriptions are used to discriminate.
- The job may have changed so that important essential functions are not included, resulting in hiring unqualified candidates, or problems with disciplining employees for not competing tasks that are not in the job description.
- Workforce planning will not be accurate if the employee qualifications in the job descriptions are not accurate.

In the words of Tracy McCarthy, senior vice president of HR at SilkRoad, a Talent Management organization "having a bad job description is worse than having none at all."[18]

Job Evaluation

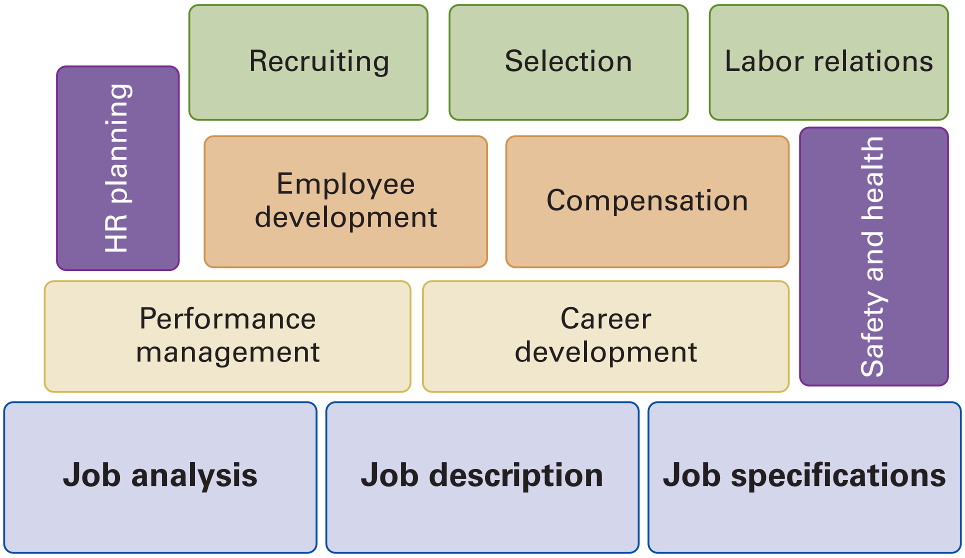
job evaluation
Specifies the relative value of each job in the organization.

Some jobs in an organization are just more important than others. Nobody disputes this, but everyone wants to know that jobs are evaluated fairly and that compensation is distributed fairly according to a position's relative worth to the organization. This process is called **job evaluation**. The information collected in the job analysis is used to create and evaluate the worth of jobs that contribute to the organizational goals and strategy. This influences motivation by providing meaningful work, fair compensation, opportunities for personal growth, recognition, and employee engagement.

Job analysis provides valuable information for making comparisons of the relative value of each job. If an organization is to have an equitable compensation program, jobs that have similar demands in terms of skills, knowledge, and abilities should be placed in common compensation groups. Job evaluation contributes by specifying the relative value of each job in the organization, which makes it an important part of compensation administration. In other words, people whose jobs are similar in value to the organization should have similar compensation if they do their job well. The concept of job evaluation and compensation is explained in more depth in Chapter 11.

Exhibit 5-8
The Foundation of Human Resources

Job analysis is the foundation on which all HR functions rest.



Job Design, Creating Better Jobs

It's possible to conscientiously follow all of the steps we've described to analyze a job and create a thorough job description, yet create a job that is so mind-numbingly boring that employees grow to hate it and leave relatively quickly, creating motivation and turnover problems. If you've experienced one of these positions, you've been the victim of poor job design.

Job design refers to the way the position and the tasks within that position are organized. It describes what tasks are included; how and when the tasks are done; and any factors that affect the work, such as in what order the tasks are completed and the conditions under which the tasks are completed. Problems arise when employees don't feel a sense of accomplishment after completing the tasks. To prevent this, the job needs to be designed so that the tasks have a clear purpose and relate to the company mission. Too often, organizations take tasks that more senior employees consider unpleasant and load those into positions for new hires, in the belief that senior employees are entitled to the most important tasks while new employees are left with undesirable tasks or those that seem meaningless. Not a very good way to keep the best talent, is it? Good job design incorporates tasks that relate to organizational goals and values into every job description.

job design
Refers to the way the position and the tasks within that position are organized, including how and when the tasks are done and any factors that affect the work, such as in what order the tasks are completed and the conditions under which they are completed.

Job Enlargement

Scientific management helped to create specialized tasks for workers in an effort to increase productivity and profits for employers and reduce fatigue and increase wages for employees. The problem was that while workers appreciated better ways to do their jobs and better income, they also wanted to feel satisfaction from interesting and challenging work with opportunities for recognition and advancement. The monotony of performing the tasks created by scientific management often led to dissatisfaction and low productivity.

Employers responded by introducing **job enlargement**, which made jobs less specialized by adding more related tasks to production work. For example, a production employee who was responsible for bolting part of a wheel together, now bolted the whole wheel together and attached it to an axle. This often requires additional training and may increase motivation. The problem arises when several mundane tasks are added together, workers perceive the new tasks as more work and motivation doesn't improve.

job enlargement
Adding related tasks to a job.

job enrichment
Expanding job content to create more opportunities for job satisfaction.

Job Enrichment

Frederick Herzberg suggested that the best way to motivate employees is through **job enrichment**. In his words, "If you want people to do a good job, give them a good job to do."[19] His job enrichment model suggests expanding the content of a job with opportunities for personal growth, advancement, responsibility, interesting work, recognition, and achievement to create more opportunities for job satisfaction and motivation.

Expanding on Herzberg's suggestions, J. Richard Hackman offered a model of how to design jobs that provide motivation based on five core job characteristics:[20]

1. *Skill Variety:* allowing workers to use a wide range of skills and abilities to do a number of different activities. For example, fast food workers have a limited variety of skills and responsibilities, but if they move into supervisory or management positions, the range of skills and responsibilities expands.
2. *Task Identity:* workers are able to see a completed product or project or some visible outcome that creates a sense of accomplishment. The worker mentioned earlier who

At the Toyota Avalon Plant in Kentucky, employees are grouped in work teams. Because these workers manage themselves, they need a different set of skills. The flexibility needed to achieve their team goals isn't always reflected in traditional job analysis processes.

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bolted wheels together doesn't feel much connection or responsibility for the competed vehicle. Motivation would probably increase if he was included in several steps in the assembly process resulting in seeing the finished product.

3. *Task Significance:* the tasks performed have some meaningful impact on the organization or the external environment. Even menial tasks can have meaning. It must be communicated and reinforced. Workers on a cleaning crew need to know that they are not just cleaning the hospital, they are creating a clean environment that keeps people healthy and reducing risk of spreading infectious diseases.
4. *Autonomy:* worker has some control over the job, making choices about how and when to perform necessary tasks. Too much structure leaves employees feeling powerless. Opportunities for production workers to slow or stop an assembly line to correct problems show respect for their judgment.
5. *Feedback from the Job Itself:* the job includes some opportunity for the worker to see the results of her effort. For example, restaurant wait staff receive immediate feedback from patrons in the form of comments and tips. Your HR professor may need to wait for your comments at the end of the term or the results of a survey on your employment after graduation!

Not everyone will be motivated if all five characteristics are present, but they set the stage for three psychological states that influence motivation, performance, and satisfaction on the job. Those three states include the following: (1) understanding that the work done is meaningful, (2) feeling responsible for the results of the work, and (3) actually knowing the results of work efforts (Exhibit 5-9).

Exhibit 5-9

Workplace Flexibility Options

It isn't just about convenience. Workplace flexibility can improve business results by giving people control over their work time and schedules.[21]

Workplace Flexibility Options

Flex Time
- Regular or short-notice flex time
- Compressed workweeks
- Self-scheduling and shift trading

Reduced Time
- Part-time work
- Part-year work

Time Off
- Paid time off for child care
- Parental leave
- Elder care leave

Flex Careers
- Sabbaticals
- Options for moving on and off the "fast track"
- Reduced hours for employees transitioning to or considering retirement

Flex Place
- Telecommuting full-time
- Telecommuting part-time

Flex Culture
- Supportive management and supervisors
- Lack of jeopardy for choosing to work flexibly

Flexible Work Schedules

Employers have found that not only can they increase employee engagement and motivation through well-designed jobs, but loyalty and retention can be increased by allowing employees to do their jobs with more flexible work schedules. Although work schedules aren't part of the content of the job, they provide a context that allows some control and autonomy that may result in motivation. We'll look at some of the ways employers have adapted work schedules, including compressed work weeks, flexible schedules, job sharing, and telecommuting.

Compressed Schedules

compressed work week schedules Employees work longer days in exchange for longer weekends or other days off.

Compressed work week schedules allow employees to work longer days in exchange for longer weekends or other days off. The most typical is a 4/10 schedule, which allows employees to work four 10-hour days in exchange for a 3-day weekend. Other alternatives include 9/8 schedules that allow employees to work 9-hour shifts for

8 days, 8 hours on the ninth day, and have 1 extra day off in a 2-week period, or 3/12 schedule with three 12.5-hour days. Companies have started using compressed work weeks in response to customer demand for extended hours or employee demands for flexibility.

Flex Time

Flex time, also called flexible working hours, allows employees to schedule the time they begin their 8-hour working day within guidelines. For example, employees may choose from start times of 7, 8, or 9 A.M. and end their day 8 hours later. The "core time" of 9:00 A.M. to 3:00 P.M. is shared by all workers.

flex time
An alternative to traditional "9 to 5" work schedules allows employees to vary arrival and departure times.

Job Sharing

Job sharing allows two people to share one job by splitting the work week and the responsibilities of the position. Most divide the 5-day work week equally with a short overlapping time period for coordination, but unequal splits can be arranged. This is possibly the most complicated of the schedules discussed so far because there are so many variables. The two people splitting the job both need to be very cooperative and communicate well. Pay and benefits need to be determined as well as how to handle after-work or weekend obligations. Evaluating the position can also be a challenge for HR.

job sharing
Two people share one job by splitting the work week and the responsibilities of the position.

CONTEMPORARY CONNECTION

All Hands On Deck! Telecommuting in Transition

When Hewlett-Packard, Yahoo, and Best Buy announced that they were ending telecommuting programs, it got the attention of the estimated 3.3 million U.S. workers who work remotely.[22] "Is this end," they asked. "Is it time to put away the sweatpants, go back to dressing for success, and buy a reliable car?"

Probably not. When HP and Best Buy were calling for "all hands on deck" (Yahoo used different words, but the meaning was the same) hundreds of companies worldwide were increasing the jobs offered with telecommuting options. The companies expanding those options include Xerox, UnitedHealth Group, Dell, Aetna, and American Express.

There is still plenty of evidence that telecommuting offers benefits to employers. University studies report that telecommuters are 13 percent more productive and have higher retention rates.[23] Not to mention the savings on office space, cost of cubicles, and parking.

Telecommuting is popular with military spouses and others who need flexibility due to deployment or relocation of a spouse. Telecommuting helps working parents, caregivers, people with disabilities, and students who appreciate the flexibility that allows them to balance responsibilities and careers. Then there's the almost-zero cost of getting to work!

So why did HP, Best Buy, and Yahoo drop the option to telecommute? Best Buy introduced their Results Only Work Environment with great pride in 2004 and soon reported that productivity at the headquarters was up 41 percent and turnover was down 45 percent.[24] They even created a consulting division to help other companies start the ultimate in flexible work arrangements. Critics felt that it created a culture of entitlement at the headquarters, where people worked whenever and wherever they wanted in contrast to Best Buy retail workers who never got the option. Others point to an erosion of their innovative culture.

Culture and innovation seem to be the reasons cited by HP and Yahoo too. The memo sent by HP to employees states "We recognize that in the past, we may have asked certain employees to work from home for various reasons. We now need to build a stronger culture of engagement and collaboration and the more employees we get into the office the better company we will be."[25]

Yahoo's memo was even more specific, explaining that "collaboration will be important, so we need to be working side-by-side. That is why it is critical that we are all present in our offices. Some of the best decisions and insights come from hallway and cafeteria discussions, meeting new people, and impromptu team meetings. Speed and quality are often sacrificed when we work from home. We need to be one Yahoo!, and that starts with physically being together."[26]

Consider this:

How much do you think telecommuting contributed to the problems at Best Buy, Yahoo, and HP? Is it possible that telecommuting just doesn't work for some companies? Why not?

Telecommuting

telecommuting
Using technology to work in a location other than the traditional workplace.

Telecommuting often conjures up images of people working from home in their pajamas, and that does certainly happen. It's also just as likely that employees use phone, Internet, and teleconferencing to accomplish their tasks while traveling, doing research, working at a branch office, or at the local coffee shop. Companies that have successfully implemented telecommuting programs list the following keys to success:[27]

- Planning is necessary before implementing a telecommuting program.
- Clear expectations are important; employees must understand the business goals that are to be met.
- Well-written policies and guidelines need to be developed as to who is eligible.
- Technology must be adequate to support remote workers.
- Employees must understand that the privilege may be revoked if the employee isn't performing to expectations.
- Senior management must be committed to promoting telecommuting and making it work.

Job Design and Teams

We leave this chapter by revisiting the changing world of work, the importance of employment planning, and job design. Globalization, quality initiatives, flexible scheduling, and teams, for example, are requiring organizations to rethink job design. When jobs are designed around individuals, job descriptions frequently clarify employee roles. Jobs today often go beyond individual efforts, however, requiring the activities and collaboration of a team.

To be effective, teams need to be flexible and continually make adjustments. Effective work teams require competent individuals. Team members must have the relevant technical skills and abilities to achieve the desired corporate goals and the personal characteristics required to achieve excellence while working well with others. These same individuals must also be capable of readjusting their work skills—to fit the needs of the team. It's important not to overlook personal characteristics. Not everyone who is technically competent has the skills to work well as a team member. Accordingly, employment planning requires finding team members who possess both technical and interpersonal skills. As such, team members must have excellent communication skills. Team members must be able to both convey readily and clearly understood messages to each other. This includes nonverbal as well as spoken messages. Team members must be able to quickly and efficiently share ideas and feelings. Effective communication is also characterized by a healthy dose of feedback from team members and management. This helps guide team members and correct misunderstandings.

Exhibit 5-10
Flexible Scheduling Advantages and Disadvantages

Flexible scheduling offers many alternatives to traditional scheduling. Each comes with advantages and disadvantages that must be considered carefully.

Advantages and Disadvantages of Flexible Scheduling

Advantages	Disadvantages
• Reduced commuting time	• Lack of supervision of employees
• Reduced costs of transportation	• Potential reductions in productivity
	• Increased turnover of employees who aren't productive
• Better work–life balance	• Employees feeling isolated from other employees
• Cost savings from fewer on-site employees	• Increased stress
• Increased retention of current employees	• Expensive technology
• Advantages in recruiting new employees	• Fair Labor Standards rules on overtime hours
• Reduced traffic at peak commuting	• Union contracts
• Increased morale	• Difficult to maintain "team atmosphere"

Summary

(This summary relates to the Learning Outcomes identified on page 107.) After reading this chapter, you should be able to

1. **Describe the steps in the human resource planning process and how HRIS facilitates planning.** Planning ensures that the organization has the right number and kinds of people capable of completing tasks that support the company's mission and strategic goals. The steps in the employment planning process include formulating a mission statement, establishing corporate goals and objectives, assessing current human resources, estimating supplies and demand for labor, and matching demand with current supplies of labor. HRIS can generate a detailed human resources inventory report that identify the number of people and skills necessary to support business plans; evaluate skills and strengths of current staff; identify individuals ready for training and development, promotion, and transfers; and identify skill gaps that may threaten the organization's ability to successfully meet its goals.
2. **Explain what job analysis is, the steps in the process, and how important information is collected.** Job analysis involves gathering data about the job to validate the tasks and responsibilities of the position. The steps include the following: (1) understanding the purpose of conducting the job analysis, (2) understanding the role of jobs in the organization, (3) benchmarking positions, (4) determining how to collect job analysis information, (5) seeking clarification wherever necessary, (6) developing the first draft of the job description, and (7) reviewing the draft with the job supervisor. Techniques used include the observation method, individual interview method, group interview method, structured questionnaire method, technical conference method, and diary method.
3. **Explain the purpose, importance, and elements of job descriptions.** Job descriptions are a written statement of what the jobholder does, important qualifications of the job holder, how the job is done, under what conditions, how the work is to be completed, what the purpose of the work is, and how it relates to the organizational mission. Common elements include identifying information, supervisory responsibilities, a summary of job responsibilities, list of essential functions, and the job specifications.
4. **Explain how job design can contribute to employee job satisfaction, morale, and productivity.** Job design expands the content of a job with opportunities for personal growth, advancement, responsibility, interesting work, recognition, and achievement to create more opportunities for job satisfaction and motivation. This can be accomplished by making sure the job includes skill variety, task identity, task significance, autonomy, and feedback. Satisfaction, morale, and productivity are more likely when employees understand and feel that the work is meaningful, feel responsible for the results of the work, and know the results of work efforts.
5. **Explain flexible scheduling alternatives and their benefits.** Compressed work weeks allow employees to work longer hours in a day and fewer days in a work week; flex time allows employees to schedule the time they begin and end their 8-hour working day as long as core hours are covered; job sharing allows two people to divide one job; and telecommuting enables employees to use information technology to work outside the office. Flexible scheduling can increase employee engagement and motivation, loyalty, and retention and allow some control and autonomy. Cost savings are also benefits to employees and employers.

Key Terms

compressed work week schedules
diary method
essential functions
flex time
group interview method
human resource information system (HRIS)
human resource planning/workforce planning
individual interview method
job analysis
job description
job design
job enlargement
job enrichment

job evaluation
job sharing
job specifications
observation method
Position Analysis Questionnaire (PAQ)
reduction in force (RIF)/downsizing
replacement chart
staffing table
structured questionnaire method
succession planning
technical conference method
telecommuting

HRM Workshop

Reviewing Important Concepts

1. Explain *human resource planning* and explain why it is important to organizations. (LO 1)
2. Explain how you would do a job analysis for the position of "Successful HR Student" and create a job description using the elements in this chapter. Explain your choices of essential functions and job specifications. (LO 2, 3)
3. Identify the advantages and disadvantages of the observation, structured questionnaire, and diary job analysis methods. (LO 2)
4. Explain the importance of essential functions as they relate the Americans with Disabilities Act. (LO 3)
5. Identify how each of the five core job characteristics of job enrichment could be used to improve your job or a job of your choice. (LO 4)
6. Describe the human resource planning implications when an organization implements flexible scheduling. (LO 5)

Evaluating Alternatives

7. After asking a production supervisor to review several job descriptions for positions he supervises, he returns them an hour later with a note that they are all ok. You explain that you are concerned that new technology and changing work practices may require updates, but he replies "My people are great. They do what they're supposed to do and I trust them to make good decisions. If something needs to be changed, I tell them and they do it. We don't need to change the job descriptions. Nobody reads them anyway." How will you reply? (LO 2, 3, 4)
8. When proposing that your organization investigate flexible scheduling and other flexible workplace options, the CEO replies that she has no interest in "getting involved in that type of chaotic workplace." She went on to cite Yahoo and Best Buy as examples of companies that went downhill after they allowed employees to telecommute. "Our culture and high productivity are too valuable in this competitive environment. I won't risk losing that." Is there a way to create a flexible workplace, yet preserve an innovative and high-performing culture? Explain the risks and rewards as you see them. (LO 5)

Research and Communication Skills

9. Investigate the GSG program at Samsung that is profiled in the chapter opener. Research and evaluate the training and development process using the Samsung website, Samsung videos on YouTube about the program, and other resources such as Glassdoor.com. Explain how Samsung may use the program as a workforce planning tool. What are the strengths and weaknesses of the program? Would you be interested in participating? Why or why not? (LO 1, 4)
10. Select a job from your personal experience that didn't have a job description or had poor job design. Research ways the job would have improved with a job description and better job design. Present your findings to the class, including potential benefits to the employer of redesigning the job. (LO 2, 3, 4)
11. Select a job (or position in an organization) in which you have an interest. Visit the O*NET Online website (www.onetcenter.org) and locate all relevant information about the position. Write a two- to three-page analysis of what the job entails, highlighting the job description and job specification data. (LO 2, 3, 4)
12. Join two to three classmates to research the technical and people skills and conceptual knowledge required to perform a human resources manager's tasks effectively. To collect information, interview several local HR managers, including one at your college. Your online research can include websites such as HR blogs (listed on the course website) www.workforce.com and www.shrm.org. Discuss what values will be important for the human resources manager to personally possess and how these will be demonstrated in that role. Finally, based on the information you've obtained, write thorough job description. Present the results of your group research and your job description with class in a presentation with two to three presentation slides or prepare a video. Include the challenges you experienced in reaching consensus on essential functions and job specifications. (LO 3)

Making a Difference SERVICE LEARNING PROJECTS

Planning and job analysis are fundamental to structuring any nonprofit organization or community event.

- Select a nonprofit organization that needs help organizing a fund-raiser, celebration, or activity such as a parade or carnival. Volunteer to help plan, organize, and execute the event.
- Contact a local food bank about organizing a food drive. Take responsibility for planning the event, determining what needs to be done, and assigning responsibilities to volunteers.
- Contact a local nonprofit and inquire about any help they may need with cleaning (washing windows, cleaning vehicles, shampooing carpets), moving, or painting. Take responsibility for raising money for the required materials, purchasing the materials, and completing the activity.

As you put your service learning experience together, keep a journal of your activities, the time you spend, contact information for people you work with, and your thoughts about the process. When you're finished, make a presentation to your class about the experience and what you learned. What concepts from Chapter 5 were you able to apply?

Case Application 5-A TALENT MANAGEMENT IS TOUGH TO DELIVER

Elyse Suarez stepped into the role of president of MedHome 2 years ago when her father Harry retired. MedHome is a supplier of medical equipment and supplies to care facilities and home care patients with a large warehouse, fleet of delivery vehicles, four retail locations, and approximately 180 loyal employees with very low turnover. Elyse had a degree in finance and 10 years of experience with a large hospital group before joining MedHome 5 years ago. She had the company on solid financial ground when Harry retired and the leadership transition went smoothly. Her first challenge came a few months later as the employees who had been with the company since Harry started it nearly 30 years earlier started to retire. Within a year, nearly 20 percent of the managers and supervisors retired, and keeping fully staffed became a challenge. Experienced employees moved into management positions, creating openings in many areas especially delivery/setup and equipment repair. Those jobs took months to fill because qualified applicants were hard to find.

As a result of the staffing problems, the time to complete and deliver customer orders began to increase significantly, and so did customer complaints. Customer service staff reported that home care customers wondered how they could get their old delivery people to return. A common issue involved products being delivered without necessary related consumable items being supplied too. These items were not specifically ordered, but previous drivers knew they were necessary and carried supplies in their vans in case they were needed. Supervisors commented that they were spending considerable amounts of time checking the work of new employees who didn't have the math skills or decision-making skills necessary for ordering and inventory. New employees weren't too happy either. Jacob Washington, the HR Director was receiving complaints from the new hires that the work was much more challenging than they were led to believe.

When Elyse met with Jacob to try to determine how to fix the problem, she asked if they needed to re-examine their recruiting methods and hiring criteria. Jacob had several ideas for expanding recruitment, but said that their hiring criteria were sound. "Right before your dad retired, I had the experienced supervisors look the job descriptions over before they retired. You know we lost a lot of experienced supervisors, and they knew this place inside and out." Jacob went on to explain that the job descriptions had been created by Harry many years ago and were reviewed regularly by supervisors over the years.

Frustrated, Elyse called a manager's meeting to address the complaints of the customers and new employees. Many agreed that the new employees weren't of the same caliber as past hires. Some managers felt the new hires would eventually get up to speed. Others said that it was a common problem everywhere and they would just have to get used to it, and one manager wanted to fire all of them and start over. Elyse directed Jacob to research ways to improve the quality of the applicant pool for future openings.

After the meeting, Rene, a driver supervisor stopped by Elyse's office and asked to talk. "I don't want to cause any problems. I know those guys are your dad's friends and all, but the job descriptions for my drivers aren't exactly wrong, but they aren't right either." When Elyse pressed for more information, Rene explained that the job descriptions were very vague. "They don't include any specific math ability, customer service skills or related work experience. The list of responsibilities just includes product delivery. There isn't anything in it about keeping an inventory of supplies in the van or schmoozing the customers." Further conversation revealed that the experienced drivers were making the newer drivers responsible for loading the vans in the morning and cleaning them in the evening. "They say it's because they're responsible for safety and need to review procedures, but everyone knows they just sit around and talk."

Elyse was left to wonder what her next move should be.

Questions:

1. Evaluate MedHome's HR practices from the perspective of workforce planning and talent management. (LO 1, 2)
2. Where did the job description revision process at MedHome break down? Explain whether it is necessary to start over with a complete job analysis, or if another revision of the current job description will resolve the issue. (LO 1, 2, 3)
3. How could the hiring problems have been prevented? (LO 1, 2, 3)
4. What should Elyse Suarez and Jacob Washington do to fix the problems now? (LO 1, 2, 3, 4)
5. **Research:** What services do HRIS systems provide that would be useful at MedHome? Would an HRIS system be cost effective in a business of the size of MedHome? Find several providers of HRIS services and make a recommendation for Elyse Suarez. (LO 1)

Case Application 5-B TURNOVER AND MORALE PROBLEMS AT TSA

Next time you go through security on your way through the airport, smile and say thank you to the screeners who help you send your bags through screening and wave you through the scanner. Low morale runs rampant through the screeners that work at the Transportation Security Administration (TSA), and odds are that the screener you smile at is thinking about quitting.[28]

A recent government report revealed concerns that the low morale of the screeners may be a distraction to them on the job and may even cause them to be less focused on security and screening responsibilities. About one in five of the nation's 45,000 screeners quit every year due to low morale, low pay, discrimination, and fear of retaliation if they complain.[29] Further complicating the morale problems are the "enhanced" pat down procedures added to screener's job responsibilities in 2010. Screeners report being called "molester, pervert, creep" and much worse by passengers who are understandably upset by being subjected to the pat downs after setting off metal detectors in some airports.

TSA employees had a long list of issues they believed contributed to the low morale and turnover including the TSA's pay-for-performance system, called Performance Accountability and Standards System (PASS), which was widely viewed by employees as unfair and discriminatory to older workers, minorities, and women.[30] In an effort to gain more control over working conditions, TSA employees voted to allow the American Federation of Government Employees (AFGE) to represent them as a union in 2011.[31] In 2012, the AFGE negotiated a collective bargaining agreement designed to correct the working conditions that TSA employees found objectionable.[32] Terms of the agreement include the following:

- Replacing PASS with a performance appraisal process that puts increased emphasis on evaluating officer's performance based on supervisor observations rather than certification test scores.
- Awards for attendance, outstanding service, leadership, and performance. Additional awards may be established at individual airports based on their needs and challenges.
- Changes in attendance policies, guidelines for tardiness, and the process for approval of sick leave.
- Revision of how employees bid for shifts, annual leaves, transfer policies, and how employees may convert from part-time to full-time.
- Changes in requirements for uniforms, personal appearance, and subsidies for uniforms and parking.
- Requirements for personal safety and comfort including workplace temperatures, lighting, ergonomic equipment, and noise levels.
- Revised dispute resolution process designed to provide fairness and due process for TSA officers including a revised appeal process for disciplinary actions.

Kim Kraynak-Lambert of the AFGE was happy with the agreement, stating "TSOs (Transportation Safety Officers) come to work every day in the face of intense public and congressional scrutiny and, to the best of their ability, protect this nation from terrorist attack. Now we can look forward to new rights and new working conditions, and a chance to form a true labor-management partnership."[33]

Questions:

1. How do elements of the collective bargaining agreement address job enrichment issues? In what ways might they influence morale and retention? (LO 4)
2. Choose a job analysis method or combination of methods to begin the process to redesign the TSA officer job descriptions. Why would this be the most appropriate method(s) to analyze the positions? (LO 2, 3)
3. How can well-designed jobs reduce the attractiveness of union representation for employees? (LO 4)
4. **Research:** What is the current status of AFGE and the TSA? Has the TSA added elements of job enrichment to the TSO positions? Will the issues they are currently negotiating lead to job satisfaction? (LO 4)

6

Recruiting

David Brewster/Minneapolis Star Tribune/Zuma Press

Walk in a store to buy a closet organizer and walk out with a part-time job? It's possible. Customers at The Container Store will often find sales associates enthusiastically explaining the benefits of working for The Container Store as well as the countless clever storage solutions in stock. Employees are encouraged to have their eye on customers who would fit the unique culture, and frequently approaching a good candidate right on the sales floor. They must do a good job because every opening has an average of 29 applicants and 21 percent of the new hires are referred by employees.

If an individual recruited by a sales associate applies and is hired, the associate earns a $400 reward. Applicants are required to complete three essay questions that make sure they will fit the culture, followed by several interviews with a variety of managers,[1] and only 3 percent of applicants are hired. Once hired, employees enjoy the job and company culture so much that they just don't leave. The Container Store has one of the lowest rates of employee turnover in the industry. Where similar stores have annual turnover upward of 70 percent, The Container Store has a full-time turnover just under 29 percent a year.[2]

Looking Ahead

Are other recruiting methods necessary if employees do a good job of sharing their enthusiasm to customers and friends? What recruiting methods would best complement the employees' efforts?

LEARNING OUTCOMES

After reading this chapter, you will be able to:

1. Explain necessary elements for effective recruiting and the importance of employment branding.
2. Outline challenges that affect the organization's ability to recruit qualified employees.
3. Explain internal recruiting sources and their effectiveness.
4. Explain external recruiting sources and their effectiveness.
5. Describe the elements and effectiveness of online recruiting.
6. Explain the alternatives to recruiting full-time, permanent employees and the benefits to the organization of using these alternatives.
7. Explain the elements of recruiting for overseas positions.
8. Identify ways to conduct an effective job search.

Introduction

HR recruiting is evolving at the speed of technology and has become a hot HR topic. Online recruiting was the latest thing a couple of years ago and recruiters were concerned about applicants having access to the Internet. Currently, nearly everyone accesses the Internet on their mobile devices, and organizations that don't have recruiting sites and ads maximized for mobile may be left in the dust wondering why good talent is hard to find. The popular websites and social media examples in this chapter will likely change by the time you read it for your class. As we look at recruiting, remember that "best practice" examples change almost daily and cutting-edge technology evolves even faster. How can we study recruiting in the face of constant change? We'll focus on the basics. We'll tackle the purpose of recruiting, how to engage the talent that we need to fulfill our strategy, where will we find them, and what do they want to know. It's that simple . . . and that complicated. Let's get started.

Effective Recruiting

Once an organization has completed the HR planning process to determine human resource needs, it's time to recruit the people necessary to achieve the goals of the organization. Recruiting is the process of finding potential candidates for actual or anticipated organizational vacancies. It isn't as easy as it sounds. Organizations that put little effort into recruiting are not likely to get the quality and quantity of candidate that they need. The search for new employees has become similar to finding new customers. Organizations that are successful do a good job of promoting themselves and reaching potential customers . . . and for HRM, which means qualified applicants.

recruiting
The process of seeking sources for job candidates.

recruiter
Represents employer to prospective applicants at colleges and job fairs.

For **recruiting** to be effective, the organization needs to have several elements in place. As discussed in Chapter 5, a thorough job analysis and accurate job description are necessary along with an understanding of the organizational strategy and the role of the job in achieving the organizational goals. Next, a strategy for finding qualified applicants inside or outside the organization that possess the qualifications listed in the essential functions and job specifications needs to be established and pursued. In larger organizations, this is the job of a recruiter, often an entry-level HR position in organizations large enough to have HR departments. **Recruiters** are the face or the organization to prospective applicants outside the organization. An effective recruiting process requires a significant pool of diverse candidates to choose from. Achieving a satisfactory pool of candidates, however, may not be easy, and recruiters need to know the best places to recruit qualified candidates. Activities include participating in job fairs, developing an online presence, visiting college campuses, and developing community or industry contacts.

Employment Branding

Employment branding makes the company name stand out when applicants are researching employers. Essentially, it's about marketing the company as an attractive employer in the same way that consumers have distinctive brand images. Just like you see yourself driving a certain brand of car or wearing a brand of clothing that fits your personal image, employees want an employer with a compatible image. A recent CareerBuilder survey found that over 90 percent of employees consider employment brand when deciding whether to apply for a job. Reputation for treating employees well, the company culture, and whether the company has a reputation for doing good things in the community are the top considerations.[3]

Employment branding creates an image of the organization for the community, employees, and potential employees. Strong employment brands can be developed by HR or they may grow organically from a strong organizational mission or culture. Once established, an employment brand assists recruiting efforts by allowing recruiters to communicate not only what employment opportunities the company offers, but how it feels to work there. The goal is to increase employee job satisfaction, reduce turnover, increase productivity, and assist in recruiting. When the employment brand creates the impression that the employer is a good place to work, then the number and quality of applicants increase. Employees that are proud of the employer share their enthusiasm in the community, increasing the effectiveness of employee referrals.

Rich Floersch, executive vice president of worldwide human resources at McDonald's, takes the company's employment brand so seriously that he spent 2 weeks working at a McDonald's restaurant in Illinois (which included scrubbing bathroom floors!) to find out more about the company culture and what makes a good store manager or restaurant worker. "I really believe that the strongest employment brand that you can have is one where employees say they are proud to work for their companies," claims Floersch. "Our goal is to continue to build that sense of pride."[4]

Jeff Greenberg/PhotoEdit

Recruiting is frequently an entry-level position in human resources.

Recruiting Challenges

From the perspective of an applicant, one might think "What challenges can the recruiter possibly have?" but there are some issues that must be considered.

Too Many or Too Few Applicants

An undersupply of applicants can be a challenge in times of economic growth that result in a tight labor market. During difficult economic times, high unemployment can result in overqualified candidates or an overabundance of résumés. When applications are submitted online, a job opening can attract hundreds if not thousands of applications. This can stress the HR budget as well as the abilities of HR to acknowledge, screen, and interview applicants in the necessary timeframe. Providing accurate information helps unqualified applicants see that the job isn't a good fit, reducing the chance that they will complete the application process.

Organization Image

The image of the organization can be a recruiting liability. In certain communities, local firms have a reputation for being in a declining industry; engaging in practices that result in a polluted environment; producing poor quality products; having unsafe working conditions; lack of a flexible work environment; indifference to work–life balance; or not providing an affordable health plan. Such reputations can and do reduce

TIPS FOR SUCCESS

"Best Practice" Ideas Applicable to Recruitment and Hiring

What are the EEOC-recognized best practices for private-sector organizations? Below are examples of what the "best of the best" do when recruiting.[5]

- Establish a policy for recruitment and hiring, including criteria, procedures, responsibilities, and applicability of diversity and affirmative action.
- Engage in short-term and long-term strategic planning.
- Identify the applicable barriers to equal employment opportunity.
- Ensure a communication network notifying interested persons of opportunities, including advertising within the organization and, where applicable, not only with the general media, but also with media aimed at minority people, disabled people, older people, and women.
- Communicate the competencies, skills, and abilities required for available positions.
- Communicate about family-friendly and work-friendly programs.
- Where transportation is an issue, consider arrangements with the local transit authority.
- Participate in career and job fairs and open houses.
- Work with professional associations, civic associations, and educational institutions with minorities, women, persons with disabilities, and/or older persons to recruit.
- Use recruiter, referral, and search firms with instructions to present diverse candidate pools to expand search networks.
- Partner with organizations that have missions to serve targeted groups.
- Use internship, work/study, co-op, and scholarship programs to attract interested and qualified persons and to develop potential candidates.
- Develop and support educational programs and become more involved with educational institutions that can refer a more diverse talent pool.
- Ensure that personnel involved in recruitment and hiring are well trained in their equal employment opportunity responsibilities.
- Explore community involvement options so the company's higher profile may attract more interested persons.
- Eliminate practices that exclude or present barriers to minorities, women, people with disabilities, older people, or any individual.
- Include progress in equal employment opportunity recruitment and hiring as factors in management evaluation.

these organizations' abilities to attract the best personnel available. Many employers are putting considerable effort into developing a positive image or branding their employment experience, much the same way as products and services are marketed to consumers.

How important is corporate image? Just ask the HR people at Disney. It's critical for the organization to continue to attract and hire the best talent they can.

Brad Barket/Getty Images News and Sport Services

Job Attractiveness

If the position to be filled is difficult, distasteful, or unattractive, recruiting a large and qualified pool of applicants will be difficult. In recent years, for instance, many employers have been complaining about the difficulty of finding suitably qualified individuals for manual labor positions. Moreover, jobs viewed as boring, hazardous, anxiety creating, low paying, or lacking in promotion potential seldom attract a qualified pool of applicants. Even during economic slumps, people have refused to take many of these jobs. An example would be the difficulty that Midwest meat-packing plants encounter in recruiting workers even in times of relatively high unemployment.

Internal Organizational Policies

Internal organizational policies such as "promote from within wherever possible" may give priority to individuals inside the organization. These policies typically ensure that all positions, other than the lowest-level entry positions, will be filled from within the ranks. Applicants may be discouraged from applying for upper-level positions if they perceive an internal candidate has an advantage. Promote from within policies may have the opposite effect on entry-level applicants who see it as a career advantage in the future.

Recruiting Costs

Recruiting efforts are expensive—ranging from $2,000 for a retail position to $16,000 for a biotech position.[6] Sometimes, budget restrictions put a time limit on searches. Accordingly, when an organization considers various recruiting sources, it considers effectiveness, such as maximizing its recruiting travel budget by first interviewing employees using conference calls or videoconferencing.

Inadequate Technology

Job seekers expect to be able to access job openings and job information online and in a mobile format; in fact, recent surveys report that 90 percent of job seekers search for jobs on mobile devices and 40 percent have a lower perception of an employer if the company career site isn't optimized for mobile.[7] A presence on social media is also becoming a basic requirement.

DIVERSITY TOPICS

Job Advertisements and EEO

Consider this actual ad found recently on Craigslist:

> *Looking to add one more helper. I am moving my motorcycle shop. I need a lady to help me clean and organize tools for the transition. There is a lot of ladder climbing, scrubbing walls and floors . . . It is not a long-term job. Beer is OK. Must be friendly and not offended with cussing. Must get along with other helpers. Most are college age (the work is not for elderly or unfit people. You will be wasting my time and yours if you are not physically fit for the position).*[8]

The shocking lack of knowledge of EEO laws in this ad is fortunately pretty rare, but employers do make mistakes. They may not know how to explain a need for the physical demands of the job, knowledge of the latest technology, or ability to be open minded so they assume that age, gender, or some other irrelevant factor may help. There are ways to describe those requirements in ways that do not unintentionally or intentionally discriminate. Here are a few that ended up in the hands of the Equal Employment Opportunity Commission.

- An ad for a cashier in a grocery store: "Applicant must be young and energetic and be able to stand for long periods of time."
- A job posting for a graphic artist: "Young-thinking, progressive advertising firm has openings for entry-level graphic artist with no more than 3 years' experience."
- An advertisement for a part-time laundromat employee: "Opening for a person seeking to supplement pension . . . retired persons preferred."

Did you spot the problems? In the grocery store ad, the wording indicated a definite preference for someone young, probably discouraging people over 40 from applying for the job. A better approach would be to explain the physical requirements of the job.

The graphic artist ad implies that older workers might not be "young thinking." Also, "with no more than 3 years' experience" also points to someone younger. Examining applicants' portfolios will be a better indicator of the ability to appeal to a young audience.

The laundromat ad is somewhat unique. Indicating a retirement preference might be viewed as acceptable, but retirement usually comes after age 55 and more likely closer to age 65. Although the ad focuses on older workers, individuals aged 40–45 (or 65) might be excluded from this recruiting pool, possibly creating an adverse impact. Remember from Chapter 3, adverse impact occurs when protected group members are treated differently from others. The employer should ask for the qualities she is looking for in a mature employee such as dependable, trustworthy, and able to work without supervision.

The motorcycle shop ad? He probably got the employees he deserved when he said that beer was OK.

Your reaction:

Have you ever seen an ad that seems to be discriminatory? How can you phrase an ad if you need someone that is energetic, strong, innovative, or has mature judgment without creating the impression of adverse impact?

Internal Recruiting Sources

Recruiting is more likely to achieve its objectives if recruiting sources are designed to attract the best candidates. Internal searches of current employees provide candidates with known skills and abilities. If the internal talent pool is inadequate or specialized skills are necessary, employers turn to external sources of candidates. We'll look at a variety of external sources and their effectiveness for different hiring goals. For example, employers looking to fill an executive position are likely to work with an executive search firm or use an online job site specializing in professional positions such as The Ladders. Similarly, a recruiter trying to fill a management-training position would have better luck at college job fairs, social media, or job site like CareerBuilder with a broader focus.

internal search
A promotion-from-within concept.

Many large organizations attempt to develop their own entry-level employees for higher positions. These promotions can occur through an **internal search** of current employees who have bid for the job, been identified through the organization's human resource management system, or even been referred by a fellow employee. Companies like UPS and McDonald's use these policies to develop candidates for promotion. In fact, 40 percent of the top 50 executives at McDonald's started out working in the restaurants.[9] The promote-from-within-wherever-possible policy has these advantages:

- promotes good public relations
- builds morale
- encourages individuals who are qualified and ambitious
- improves the probability of a good selection because information on the individual's performance is readily available
- is less costly than going outside to recruit
- helps with recruiting entry-level workers
- reduces orientation and training costs
- when carefully planned, can also act as a training device for developing middle and top-level managers

There can be distinct disadvantages, however, to using internal sources. Promoting from within an organization creates problems if the organization uses less-qualified internal candidates only because they are there, when excellent candidates are available on the outside. However, an individual from the outside, in contrast with someone already employed in the organization, may appear more attractive because the recruiter is unaware of the outsider's faults. Internal searches also may generate infighting among rival candidates for promotion and decrease morale levels of those not selected.

The organization should also recognize that consistently using internal sources may not promote a diversity of people or ideas. New perspectives can broaden current ideas, knowledge, and enthusiasm, and productively question the "we've-always-done-it-that-way" mentality. As noted in the discussion of human resource planning in Chapter 5, the organization's HRM files should provide information as to which employees might be considered for positions opening up within the organization. Most organizations can generate lists from computer databases of individuals who have the desirable characteristics to potentially fill the vacant position.

In many organizations, it is a standard procedure to post any new job openings and to allow any current employee to apply for the position. This action, too, receives favorable marks from the EEOC. The posting notification can be communicated via e-mail, on the company career site, newsletter, or bulletin board. Even if current employees are not interested in the position, they can pass these notices on to other individuals who may seek employment within the organization—the employee referral.

Employee referrals are an excellent means of locating potential employees for hard-to-fill positions.

Employee Referrals and Recommendations

employee referral
A recommendation from a current employee regarding a job applicant.

One of the best sources for individuals who will most likely perform effectively on the job is a recommendation from a current employee. Employees rarely recommend someone unless they believe the individual can perform adequately. **Employee referrals** also may receive more accurate information about their potential jobs. The recommender often gives the applicant more realistic information about the job than could be conveyed through employment agencies or newspaper advertisements. This information reduces unrealistic expectations and increases job survival.

As a result, employee referrals tend to be more acceptable applicants, who are more likely to accept an offer, and, once employed, have a higher job survival rate. Additionally, employee referrals are an excellent means of locating potential employees in those hard-to-fill positions. For example, difficulty in finding certain IT professionals, computer programmers, engineers, or nurses with specific skills has prompted some organizations to turn to their employees for assistance. Principal Financial Group, one of *Fortune* magazine's "100 Best Companies to Work For," gets at least 40 percent of new hires through employee referral. Wegmans, a regional grocery chain that is also on the "Best" list, reports that one in five of their employees are related to another Wegmans' employee.[10] Many of these organizations include a reward if an employee referral candidate is hired for these specifically identified hard-to-fill positions. Referral bonuses of $10,000 or more are not unusual in these fields. In doing so, both the organization and the employee benefit; the employee receives a monetary reward and the organization receives a qualified candidate without the major expense of an extensive recruiting search.

Of course, employee referrals don't always work. Employees may confuse friendship with job performance competence. Individuals often like to have their friends join them at their place of employment for social and even economic reasons; for example, they may be able to share rides to and from work. As a result, a current employee may recommend a friend for a position without giving unbiased consideration to the friend's job-related competence. Employee referrals may also lead to nepotism, that is, hiring individuals related to persons already employed by the organization. Finally, employee referrals may also minimize an organization's desire to add diversity to the workplace.

JOB SEARCH
Search

©YinYang/iStockphoto

TIPS FOR SUCCESS

Writing Job Postings that Get Results

Getting the attention of qualified candidates takes a bit of know-how. These few simple tips may help you create job postings that get job seekers interested in your organization, help unqualified people move on to other ads, and make your recruiting job a little easier.[11]

1. *Tell Enough About the Job.* Job seekers barely spend 30 seconds reading a job posting. Keep it brief, but provide enough information so that potential applicants can determine whether they are interested or qualified. Use an engaging writing style and explain why they will love the job and company.
2. *Include the Job title and Keywords.* Include important essential functions and job specifications. If you're posting online, keywords will help job seekers find your opening using search engines.
3. *Set Clear Expectations.* Does the job require extensive travel? What will it take to succeed in the position? Is the compensation competitive? Are their requirements that need to be communicated to comply with ADA requirements? You better say so.
4. *Make Sure It's Attractive and Correct.* Candidates give more attention to attractive branded ads. Make sure the layout is pleasing and there are no grammatical or punctuation errors. Include logos, videos, or any other graphics that help tell your story.

External Recruiting Sources

Recruiters need to think like marketers when starting external searches for new employees. For example, think about how new cars are promoted. Manufacturers and dealers have ads on TV, radio, and cable shows newspaper and magazines. You also see ads pop up on social media and billboards. Manufacturers hold car shows, sponsor race cars, and pay for product placement in movies and TV shows. The types of promotion and combination of media used depend on the type of car and the likely buyer. It's exactly the same for employers. A variety of sources are available and right combination depends on the job and the likely applicant. Let's look at several sources including advertisements in online job boards, employment agencies, schools, colleges and universities, professional organizations, and unsolicited passive job seekers.

Advertisements

A wide variety of media provide opportunities to attract candidates. Broadcast media like radio and television and print media such as magazines and newspapers reach a large number of potential candidates, although their audience is shrinking a bit. Digital media provides opportunities to reach job seekers through a variety of news, music, and social media sites. Of course, the classic "Help Wanted" sign still gets the job done for some employers. Selecting the right candidate requires knowledge of the best media to reach qualified candidates. The search for a top executive might include advertisements in national publications like, perhaps, the *Wall Street Journal* or *New York Times* and their accompanying websites, or be posted on executive-search firm websites. On the other hand, advertisements of entry-level jobs usually appear in local daily newspapers, or on broad-based Internet job sites such as CareerBuilder, Monster, Yahoo, HotJobs, and Craigslist.

The job analysis process is the basic source for ad information. The ad can focus on descriptive elements of the job (job description) or on the applicant (job specification), a choice that often affects the number of replies received. Three important variables influence the response rate to advertisements: identification of the organization, labor market conditions, and the degree to which the advertisement includes specific requirements. Some organizations place a **blind-box ad**, one that includes no specific identification of the organization. Respondents are asked to reply to a post office box number or to an employment firm acting as an agent between the applicant and the organization. Large organizations with a national reputation seldom use blind advertisements to fill lower-level positions; however, when the organization does not wish to publicize the fact that it is seeking to fill an internal position, or when it seeks to recruit for a position where there is a soon-to-be-removed incumbent, a blind-box advertisement may be appropriate.

blind-box ad
An advertisement that does not identify the advertising organization.

Employment Agencies

Three different types of **employment agencies** exist to help employers and workers find each other. Public or state agencies, private employment agencies, management consulting firms, and executive search firms all provide valuable employment matching services. The major difference between them is the type of clientele served.

employment agencies
Assists in matching employees seeking work with employers seeking workers.

Public and State Agencies All states provide a public employment service. One major function of these agencies is assisting workers receiving unemployment benefits find employment. Many states have excellent and extensive employment services. The U.S. Department of Labor sponsors a site called CareerOneStop at www.careeronestop.org that offers career resources to job seekers, students, businesses, and workforce professionals along with links to job service listings in every state. In addition to matching employers with qualified workers, many public and state agencies assist employers with testing, job analysis, evaluation programs, and community wage surveys. Workers seeking employment can receive assistance with career guidance, job seeking skills, and training.

Private Agencies Private agencies serve as a liaison between employers and job seekers. Private agencies earn fees from employers, which can be totally absorbed by either the employer or the employee, or it can be split. The alternative chosen usually depends on demand and supply in the community involved. Private agencies may also provide a more complete line of services than public agencies. They may advertise the position, screen applicants against the criteria specified by the employer, and often provide a guarantee covering 6 months or a year as protection to the employer should the applicant not perform satisfactorily. Some of the largest private agencies are Manpower, Adecco, and Kelly Services.

Management Consulting Firms Frequently called executive recruiters or "headhunters," these are actually specialized private employment agencies. They specialize in middle- and top-level executive placement, as well as hard-to-fill positions such as actuaries, IT specialists, or managers with international experience. In addition to the level at which they recruit, the features that distinguish executive search agencies from most private employment agencies are their fees, their nationwide contacts, and the thoroughness of their investigations. In searching for an individual of vice-president caliber, whose compensation package may far exceed $250,000 a year, the potential employer may be willing to pay a high fee to locate exactly the right individual to fill the vacancy: up to 35 percent of the executive's first-year salary is not unusual as a charge for finding and recruiting the individual.

Executive Search Firms

Executive search firms canvass their contacts and do preliminary screening. They seek out highly effective executives who have the right skills, can adjust to the organization, and, most important, are willing to consider new challenges and opportunities. Such individuals may be frustrated by their inability to move up quickly in their current organization, or they may have been recently passed over for a major promotion. The executive search firm acts as a buffer for screening candidates and, at the same time, keeps the prospective employer anonymous. In the final stages, senior executives in the prospective firm can move into the negotiations and determine the degree of mutual interest.[12]

executive search firms
Private employment agency specializing in middle- and top-management placements.

Schools, Colleges, and Universities

Educational institutions at all levels offer opportunities for recruiting recent graduates. Most educational institutions operate placement services where prospective employers can review credentials and interview graduates. Most also allow employers to see a prospective employee's performance through cooperative arrangements and internships. Whether the job requires a high school diploma; specific vocational training; or a bachelor's, masters, or doctoral degree, educational institutions are an excellent source of potential employees.

High schools or vocational-technical schools can prove to be a good source of part-time and entry-level employees. Community colleges along with other 2- and 4-year colleges and graduate schools can provide professional and managerial-level personnel. Although educational institutions are usually viewed as sources for inexperienced entrants to the workforce, it is not uncommon to find individuals with considerable work experience using an educational institution's placement service. They may be workers who have recently returned to school to upgrade their skills or former graduates interested in pursuing other opportunities.

When hiring an executive for an organization, many companies turn to executive search firms for their network and other capabilities.

Masterfile

Job Fairs

job fairs
Events attended by employer representatives or recruiters with the goal of reaching qualified candidates.

Once thought to be a little old-fashioned and not very cost effective, **job fairs** are making a comeback as an effective recruiting tool. Often held on or near college campuses in the spring, they're a good opportunity to build a company's employment brand. They can also be staffed by employees, providing a great employee development tool. The primary purpose is to contact prospective employees and collect information and résumés, but it's not uncommon for online applications to double in the days following a job fair event. Most employers go out of their way to make sure that even unsuitable candidates leave the job fair with a favorable impression of the company. Many are counseled on the additional requirements and training they would need to be successful candidates. Employees staffing the events gain valuable leadership training and are often energized to promote the virtues of their employer long after the event.

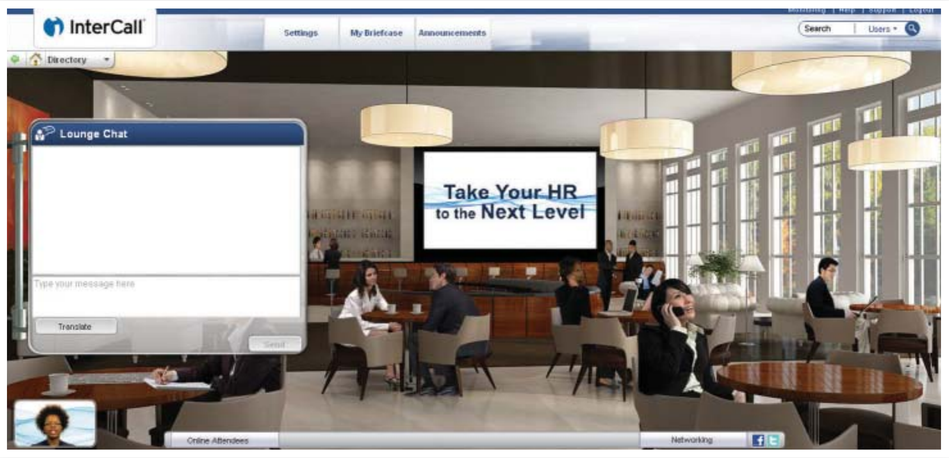
A new twist on the concept is virtual job fairs. They have the same purpose and feel as traditional job fairs, but are held online. Some even include avatars—virtual online images of people—and virtual company recruiting booths. Candidates learn about the fairs from the "careers" section of company websites, Facebook, Twitter, or LinkedIn. Job seekers and recruiters meet online by logging into a specific website at a specified time. They can be very useful for companies like Procter and Gamble for recruiting for overseas subsidiaries and for military personnel and their spouses that are looking for jobs once their commitment to the military is complete. Other virtual job fairs target college students, technology careers, or the disabled. Job seekers may watch a short video and have an online chat with recruiters from several companies, upload resumes, access online applications, and possibly engage in a video chat. They are popular with tech-savvy Millenials seeking jobs because they don't involve expensive travel.[13]

Professional Organizations

Many professional organizations, including labor unions, operate placement services for the benefit of their members. Professional organizations serving such varied occupations as human resource management, industrial engineering, psychology, accounting, legal, and academia include job posting in websites. Professional conferences frequently include opportunities for individuals looking for employment and companies looking for employees can find each other—building a network of employment opportunities.

Unsolicited Applicants

Unsolicited applications arrive for nearly every type of position, although they may be more common for hourly, entry-level, and part-time employment. Although the number of unsolicited applicants depends on economic conditions, the organization's image, and the job



Virtual Job Fair online sites provide contact between job seekers and prospective employers in real-time.

Courtesy InterCall

seeker's perception of the types of jobs that might be available, walk-ins may be a good source of applicants who show initiative. Even if the company has no current openings, the application can be kept on file for later needs.

Even if the organization has no current openings, it's important to treat unsolicited applicants with respect so they leave with a positive impression of the organization that represents the culture and employment brand. A recent CareerBuilder survey found that 38 percent of applicants who have a bad experience in the application process and 63 percent of applicants who have a good experience are likely to tell friends and family members[14] or post something about their experience on social media.

Passive Candidates

It may be that the best candidate isn't looking for a job at all. Perhaps, your opening requires a specialized technical or people skill and our recruiting methods isn't turning up candidates with the right stuff. In that case, you may need to look for people who already have jobs and are not actively seeking employment. These candidates are called **passive candidates**. There are several ways to find and reach passive candidates, including searching past applicants in your database and contacting them directly or through social media, asking employees to do the searching for you, invite them to participate in a conference, social event, or a blog. Specialized search firms may be of help too.

passive candidates
People who are not actively looking for a new job.

Online Recruiting

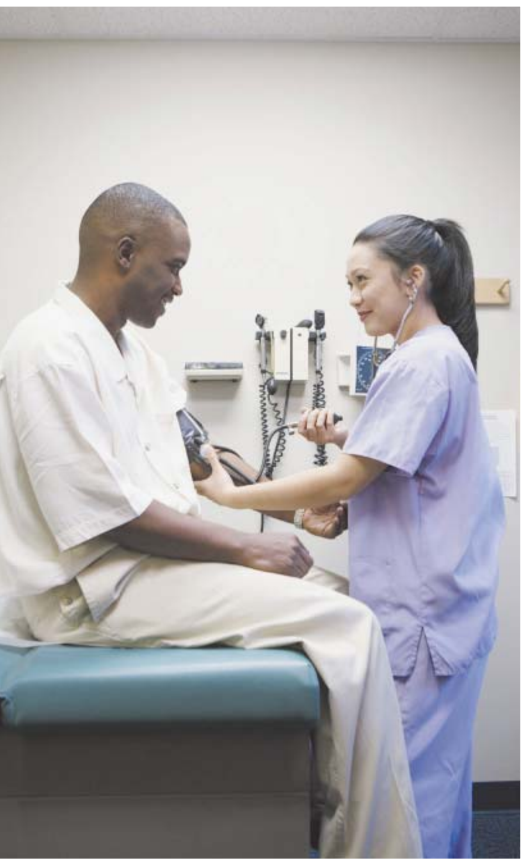
Nearly all recruiting involves an online presence. Employers know that applicants seek information from online sources, so they provide "Careers" sections on their website, in addition to using job boards and social media. Even candidates who are reached by other means such as a job fair or print media probably do some research online. As discussed earlier, the examples and best practices change quickly and new online sources are added daily.

Employer Websites

Most organizations have a "Careers" section of their website specifically designed for recruitment. In addition to building the employment brand of the organization, they include the typical information you might find in an employment advertisement, such as qualifications sought, experience required, and benefits provided. They also showcase the organization's products, services, corporate philosophy, mission statement, testimonials from current employees, and some information about the benefits offered. This information should increase the quality of applicants, as those whose values don't mesh with the organization would not bother to apply.

Job Boards

Job boards provide employers the opportunity to recruit for a wide variety of positions with worldwide exposure. Job seekers are able to search jobs by location, keywords, industry, level of education, salary, and any combination of these criteria. CareerBuilder and others allow job seekers to upload resumes for employers to view. They also provide helpful services such as career testing and advice on conducting an effective job hunt. CareerBuilder.com and Monster.com are the two largest job board sites, with CareerBuilder reporting 25 million unique visitors to their website every month with over 50 million job seeker resumes in its database.[15] CareerBuilder also do quite a bit of research on the best way to reach job seekers with specific skills or characteristics and make that information available to employers using their services. Other popular job boards include Simply Hired, LinkedIn, Dice, and The Ladders. Employers pay these services per job post, which average about $400 per post. Craigslist is the most cost effective because it's free.



Andersen Ross/Photodisc Red/ Getty Images, Inc.

Is this nurse a full-time employee of the hospital or an individual assigned to the hospital on a temporary basis? Temporary workers today can include nurses, computer programmers, accountants, librarians, even chief executives.

social recruiting
Using social media to recruit job seekers.

online résumés
Résumés created and formatted to be posted on online résumé or job sites.

Social Media

Social media ranks second only to employee referrals for recruiting effectiveness. In a 2014 survey, recruiting software provider Jobvite found that Facebook, LinkedIn, and Twitter are the social media sites used most often by recruiters, although blogs, YouTube, Pinterest, Instagram, and others are emerging as ways to reach job seekers too.[16] LinkedIn allows users to establish profiles with information similar to a resume, with the added benefit of allowing others in the social network to recommend the user's expertise in several different skill areas. Twitter allows job seekers to subscribe to automated job feeds.

Employers find that **social recruiting** or using social media for recruiting shows significant benefits such as faster hiring and increases in the quality and quantity of candidates. It's also one of the more cost-efficient ways to reach applicants. Social media also provides a way for applicants to investigate the employer. Job seekers are interested in the culture of the organization and whether the information provided to them is true. Sites such as GlassDoor, Facebook, and company blogs are common sources for job seekers to use to compare employee comments with recruiter claims.

Specialized Job Boards

Job boards narrow the focus of their postings to a specific career or a set of job skills such as sales, medical, technology, or accounting. Others focus on characteristics of the job seeker such as interns, contractors, or part-timers. Some are even centered on ethnicity or age. Some specific examples of specialized job boards include the following:

Accountantsworld.com	Accounting
Dice.com	Technology
Miracleworkers.com	Healthcare
Jobsonthemenu.com	Restaurant
Careerrookie.com	Internships
Sologig.com	Contractors
WorkForce50.com	People over 50
DiversityJobs.com	Ethnic groups, nontraditional careers, disabilities

Job candidates may also use the Internet to their advantage by setting up their own web pages with **online résumés** to "sell" their job candidacy. When they learn of a possible job opening, they encourage potential employers to "check out my website."

Which Source to Use?

Determining the best method to target prospective employees is very similar to the way marketers target prospective customers. As discussed earlier, employee referrals and social media may be the most effective overall, but the right combination of recruiting sources depends on the characteristics of the organization, the job, and the applicants. Employee referrals are extremely effective for The Container Store; but their employees have contact with customers and are able to build relationships. It may be that job boards such as CareerBuilder and Monster are the best suppliers of external recruits for another company that requires a large number of employees spread over a large geographic area, or social media sites such as LinkedIn, Facebook, Twitter would be best for an employer that depends on communicating the employment brand to recent college graduates. It's also fair to say that many recruits are exposed to more than one source of recruiting information, so tracking the effectiveness of any one recruiting source is becoming even more difficult.[17]

Recruitment Alternatives

Much of the previous discussion on recruiting sources implies that these efforts are designed to locate and hire full-time, permanent employees. It may be more appropriate to tap into the contingent workforce for a variety of reasons including an uncertain economic environment, seasonal employment needs, or problems with high employee turnover. Remember that temporary or contingent workers may raise some legal issues for employers, especially over the question as to whether or not an individual is an employee or not.[18]

Temporary Help Services

Organizations such as Kelly Services, Manpower, and Accountemps supply temporary employees. Temporary employees are particularly valuable in meeting short-term fluctuations in HRM needs. Although traditionally developed in office administration, temporary staffing services have expanded to a broad range of skills. It is now possible, for example, to hire temporary nurses, computer programmers, accountants, librarians, drafting technicians, administrative assistants—even CEOs.

In addition to specific temporary help services, another quality source of temporary workers is older workers, those who have already retired or have been displaced by rightsizing in many companies. An aging workforce and certain individuals' desire to retire earlier have created skill deficiencies in some disciplines. Older workers bring those skills back to the job. The reasons older workers continue to work vary, but they bring several advantages: flexibility in scheduling, low absenteeism, high motivation, and mentoring abilities for younger workers.[19]

Employee Leasing

Leased employees typically remain with an organization for longer periods than temporary employees. Under a leasing arrangement, individuals work for the leasing firm. Organizations can use employee leasing companies to provide employees for specialized areas like human resources or accounting, or it can lease its entire staff. Employee leasing companies, called Professional Employee Organizations or PEOs, can provide substantial cost savings to organizations that lease employees rather than hire them, particularly for smaller employers. The PEO manages employees for many employers, so they can negotiate large group discounts for benefits such as health, life, vision, and dental insurance. They might also be able to offer a wider variety of benefits than a smaller employer.

leased employees
Individuals hired by one firm and sent to work in another for a specific time.

Independent Contractors

Another means of recruiting is the use of independent contractors. Often referred to as consultants, independent contractors are taking on a new relevance. Companies may hire independent contractors to do specific work at a location on or off the company's premises. For instance, claims processing or medical and legal transcription activities can easily be done at home and routinely forwarded to the employer. Online technology gives independent contractors the same access that telecommuters have.

Independent contractor arrangements benefit both the organization and the individual. Because the worker is not an employee, the company saves costs associated with full- or part-time personnel, such as insurance benefits, social security taxes, and workers' compensation premiums. Additionally, such opportunity is also a means of keeping talented and dependable individuals associated with your company. Suppose an employee wants to work but also be available to his or her school-age children, take care of elderly parents, or just wants a more flexible situation. Allowing the individual to work at home, on his or her time, can be a win–win solution to the problem.

Employers need to be aware that just because an employee is called an independent contractor, it isn't necessarily true. The Internal Revenue Service published guidelines for

TIPS FOR SUCCESS

Are You Recruiting Material?

Many HR Professionals start out in recruiting. Recruiters for staffing companies build networks of contacts and learn about how their client companies operate. Recruiters for an employer get to know how the organizational strategy depends on many interrelated divisions and positions for success. Is it a good place for you to start? Here are some qualities that are important for success in recruiting according to the experts:

- Confidence and Enthusiasm: Job seekers need to feel that the recruiter knows what she is talking about and has enthusiasm about the position and the organization.
- Tech Savvy: Knowing the value and use of applicant-tracking systems and social media is basic. Understanding effective and innovative ways to use technology to reach applicants is even better.
- Marketing Skills: Recruiters need to understand that the organization and the job are products that must be promoted to the candidate. Understanding the product and its brand image, the motives of the candidate, how to sell the product to the candidate, and close the sale are valuable skills.
- People Skills: Recruiters work with people all day long. Strong interpersonal, networking, and relationship-building skills are important to make the necessary contacts to find the right talent for the organization. The extensive networks built also enhance the recruiter's own career prospects.
- Organization Skills: Handling correspondence from many people with different priorities and short timeframes is a daily occurrence. The ability to multitask, stay organized, and manage time keeps recruiters from getting overwhelmed.
- Business Savvy: Understanding the business purpose, core competencies, culture, budgeting constraints, and external environmental challenges helps recruiters lead the business and candidates to better employment solutions.

Do you see a common theme here? Recruiters are problem solvers that work with people. It isn't a job for everyone, but can be a rewarding career with advancement potential for the right person.

Things to think about:

How well does the list describe you? How can you develop skills you're currently missing? Are there other attributes you would add from your observation of recruiters?

determining whether a worker is an employee or an independent contractor. The guidelines are based on control over work, how the worker is paid, and details of the employment contract. These are outlined in Chapter 1.

Recruiting: A Global Perspective

The first step in recruiting for overseas positions is to define the relevant labor market. For international positions, however, that market is the whole world. Organizations must decide if they want to send a home country employee overseas, recruit in the host country, or overlook nationality and do a global search for the best person available. It's important to make an appropriate choice; the cost of failure in an international assignment can run high, sometimes in the six-figure range.[20]

This basic decision depends partly on the type of occupation and its requirements, as well as the stage of national and cultural development of the overseas operations and the economy. Although production, office, and clerical occupations are rarely filled beyond a local labor market, executive and sometimes scientific, engineering, or professional managerial candidates may be sought in national or international markets. If the organization is searching for someone with extensive company experience to launch a technical product in a new target country, it will probably want a home-country national. This approach is often implemented when a new foreign subsidiary is being established and headquarters wants to control all strategic decisions, but the plan requires technical expertise and experience. It is also appropriate where there is a lack of qualified host-country nationals in the workforce.

host-country national (HCN)
A citizen of the host country hired by an organization based in another country.

Other situations might benefit more from hiring a **host-country national (HCN)**, assuming this is a choice. For consumer products, corporate strategy may allow each foreign subsidiary to acquire its own distinct national identity.[21] Clothing, for example, has different styles of merchandising, and a company may feel that an HCN will most likely have a better handle on the best way to market the sweaters or jeans of an international manufacturer. Many companies are also finding that host-country nationals are increasingly better prepared for higher-level positions, particularly in India and China. Many companies are taking the initiative to partner with governments and universities to build relationships that create a pipeline of qualified candidates in emerging countries. For example, Infosys consults with colleges in India on curriculum that best prepares students for future employment and even helps with teacher training.[22]

Hiring choices may not be entirely left to the corporation. A few countries, including Saudi Arabia, place limits on **expatriate** workers. Using HCNs eliminates potential language problems, avoids problems of expatriate adjustment, and the high cost of training and relocating an expatriate with a family. It also minimizes one of the chief reasons international assignments fail—the family's inability to adjust to their new surroundings. Even if companies pay a premium salary to lure the best local applicants away from other companies, employee-related costs are significantly lower than those incurred by sending an American overseas. In countries with tense political environments, an HCN may somewhat insulate the U.S. corporation from hostilities and possible terrorism.

The third option, recruiting regardless of nationality, develops a group of international executives with a truly global perspective. On a large scale, this type of recruiting may reduce managers' national identification with particular organizational units, creating a truly international organization that makes decisions for the good of the organization, regardless of location.

Enterprise
rent-a-ca

Joe Raedle/Getty Images, Inc.

Companies like Enterprise Rent-A-Car have extensive overseas recruiting campaigns, establishing relationships with colleges all across Europe. Recruiters work with faculty, athletic departments, and campus clubs, promoting the company as a great place to work.

expatriate
An individual who lives and works in a country of which he or she is not a citizen.

Your Own Job Search

You may have been reading this chapter from the perspective of a job seeker wondering how to make all this information work to your advantage in starting your career. The job-seeking process is possibly one of the most stressful situations you will face. Do not expect the search to be quick and easy, particularly in times of high unemployment. In our society, we're conditioned to expect immediate results, and it's easy to get discouraged when rejection letters start roll in. The job search process has been compared to a marathon rather than a sprint. Crossing the finish line takes training, commitment, endurance, and support.

Competition for most good jobs is fierce—even in times of low unemployment. You can't afford to wait until the last minute; your job hunt must start well in advance of when you plan to start work. So, for college seniors who plan to graduate in May, starting in the fall has two advantages. First, it shows that you are taking an interest in your career and that you are planning ahead. Not waiting until the last minute to begin reflects favorably on you. Second, starting in the fall coincides with many companies' recruiting cycles. If you wait until March to begin the process, some job openings are likely to already have been filled. For specific information regarding the company recruiting cycles in your area, visit your college's career development center.[23]

Cover Letters

Cover letters have not gone out of style. They're still a very important way to convince an employer to read your resume. In fact, many choose to screen out applicants based on an unconvincing or missing cover letter.

Use the cover letter to present your own personal "employee brand." Rather than repeating the information in the resume, explain the unique personal qualities that create your own competitive advantage over other job seekers. Most employers are looking for highly motivated employees who show initiative. Make the cover letter your opportunity to explain how you can help the employer. Here are a few other helpful tips from employers:

- Customize your letter to your own strengths and personality. Make it memorable. Don't use a template.
- Keep it short. Hold the employer's interest by keeping your cover letter around 200 words.
- Avoid overly formal phrases and clichés such as "goal oriented," "team player, " and "good communication skills" or "I'm available for an interview at your earliest convenience." Use relevant examples instead.
- Show you know about the company and what it does with specific examples.
- Proofread, proofread, and proofread again.

Preparing Your Résumé

No matter who you are or where you are in your career, you should have a current résumé, sometimes referred to as a CV or curriculum vitae (not necessarily just for education—it's Latin for "course of life"). Your résumé is typically a recruiter's primary information source in determining whether or not to grant you an interview. Therefore, your résumé must be a sales tool; it must give key information that supports your candidacy, highlights your strengths, and differentiates you from other job applicants. Exhibit 6-1 contains a brief example. Note that volunteer or community service, for example, shows that you are well rounded, committed to your community, and willing to help others.

It's valuable to pinpoint a few key themes regarding résumés that may seem like common sense but are frequently ignored. First, if you are making a paper copy of your résumé, it must be printed on a quality printer. The font style should be easy to read (e.g., Arial or Times New Roman). Avoid any style that may be hard on the eyes, such as script fonts.

Make your resume an original. Don't use a template. Employers who screen resumes have seen every template under the sun and recognize them instantly. It is also important to note that many companies today rely on applicant-tracking software to scan your application and résumé for keywords related to skill, training, degrees, job titles , and experience. Software matches key words in the job description, so use terminology similar to the job description.

Finally, regardless of whether your résumé is on paper or online, make sure it is carefully proofread. The résumé is your only representation to the recruiter, and a sloppy one can be deadly. If it contains misspelled words or is grammatically incorrect, your chances for an interview will be significantly reduced. Proofread your résumé several times, and if possible, let others proofread it.

TIPS FOR SUCCESS

Breaking into HR

Many of the same principles for successful recruiting will help job seekers who wish to land that first job in HR. Approach your search from a marketing perspective and create a plan utilizing these tips:

- **Network, network, network.** Print up some business cards and get out there. Join professional organizations such as SHRM, local young professional organizations, or service clubs. Attend meetings, networking events, meet people, and exchange cards. Don't forget to tell them you're looking for a job.
- **Use LinkedIn** to connect with professionals in your area. Join HR and alumni groups, participate in discussions, and post articles to stay visible. Ask connections about employment opportunities they may know about.
- **Follow-up on applications.** Call employers to show you're interested, but don't call too often.
- **Research organizations** that are growing or have a reputation for giving young people a chance, then work on finding contacts within the organization.
- **Talk to your professors and college career center.** They probably have industry contacts they will share and often hear about job opportunities. Ask if they have former students that are employed in HR that you might contact.
- **Develop an "elevator pitch."** Create a 30-second personal message explaining your goals and qualifications when you have a brief opportunity to make an impression on someone who can help you. For example, you're on your way to an interview and the company president steps into an elevator with you. It beats fumbling around for something to say or staring at the floor and missing an opportunity.

SHANE REYNOLDS
1820 North Avenue
Bentonville, AR 72712

CAREER OBJECTIVE: Seeking employment in an investment firm that provides a challenging opportunity to combine exceptional interpersonal skills and computer expertise.

EDUCATION:	University of Arkansas B.S., Business Economics and Computer Science (May 2016)
EXPERIENCE:	University of Arkansas
9/2015 to present	Campus Bookstore, Assistant Bookkeeper Primary Duties: Responsible for coordinating book purchases with academic departments; placing orders with publishers; invoicing, receiving inventory, pricing, and stocking shelves. Supervised four student employees. Managed annual budget of $125,000.
5/2015 to 9/2015	Student Intern Wal-Mart Corporation Primary Duties: Worked on team responsible for developing and maintaining a product tracking system for Southwest region. Presented concept to regional management and began process of implementation. Cited for outstanding work on the internship.
SPECIAL SKILLS:	• Experienced in Microsoft Excel, Word, Access, and PowerPoint presentation software. • Fluent in speaking and writing Chinese. • Certified in CPR.
SERVICE ACTIVITIES:	• Secretary/Treasurer, Student Government Association • President, Computer Science Club • Volunteer, Meals-on-Wheels
REFERENCES:	Available on request.

Exhibit 6-1
A Sample Résumé

There is no standard résumé format. The best format is the one that represents your strengths, skill, and qualifications most effectively. How would you evaluate this sample résumé?

Making Social Media Work for You

Most of us have been warned to be careful about the information posted on social media sites like Facebook, and we'll take another look at some guidelines for using those sites in Chapter 7, but social networking sites can be used to your advantage in your job search. Providing employers with links to your profile on sites like LinkedIn or other professional networking sites is an opportunity to go beyond your résumé and share professional information. On these sites, you can list accomplishments and links to your résumé along with recommendations from people in your network. You can also ask people in your network to help you in your job search. Be sure to check your profile often to make sure the information is accurate and up to date.[24] Use every advantage available to you. Remember, it's a marathon, not a sprint.

Summary

(This summary relates to the Learning Outcomes identified on page 128.)

After reading this chapter, you should be able to

1. **Explain the necessary elements for effective recruiting and the importance of employment branding.** An effective recruiting process requires a thorough job analysis and accurate job description, understanding of the organizational strategy and the role of the job in achieving the organizational goals, and a strategy for finding qualified applicants inside or outside the organization that are qualified for the job. Employment branding assists recruiting efforts by allowing recruiters to communicate not only what employment opportunities the company offers, but how it feels to work there. Benefits include increased quantity and quality of applicant, more effective employee referrals, increased employee job satisfaction, and reduced turnover.

2. **Outline challenges that affect the organization's ability to recruit qualified employees.** Recruiting challenges include the number of applicants, image of the organization, attractiveness and nature of the job, internal policies, inadequate technology, and recruiting costs.
3. **Explain internal recruiting sources and their effectiveness.** Internal sources include employee referrals/recommendations and the organization's HR management system. Internal sources are very effective because their skills are already known. Promoting from within is good for motivation and morale; reduces recruiting and training costs, is good public relations, and helps recruit entry-level employees. Problems arise when unqualified employees are promoted or it creates a lack of diversity in management.
4. **Explain external recruiting sources and their effectiveness.** Sources include advertisements, online job boards, employment agencies, schools, colleges and universities, job fairs, professional organizations, and unsolicited passive job seekers. Employee leasing, temporary employees, and independent contractors are also sources. All are effective, but it's important to know which source is appropriate for the job and qualified candidates.
5. **Describe the elements and effectiveness of online recruiting.** Online recruiting sources include employer websites, job boards, social media, and specialized job boards. Social media is the most effective source due to its popularity with job seekers. Employers find that it is also cost effective and provides higher quality and quantity of candidates. It also helps employers to communicate the employment brand.
6. **Explain the alternatives to recruiting full-time, permanent employees and the benefits to the organization of using these alternatives.** Temporary employees are provided by agencies in a wide variety of professions to fulfill short-term staffing needs. Employee leasing refers to when individuals employed in an organization actually work for the leasing firm. One reason for the popularity of leasing is cost. The acquiring organization pays a flat fee for the employees and is not responsible for benefits or other costs it would incur for a full-time employee, such as social security payments. Independent contractors are contracted to handle specific tasks and have independent control of how they work. The benefits to the employer are similar to those of employee leasing.
7. **Explain the elements of recruiting for overseas positions.** Define the relevant labor market. Decide whether to send a home-country employee overseas, recruit in the host country, or search globally, considering language issues, adjustment to culture, cost of training, and relocation.
8. **Identify ways to conduct and effective job search.** Start early. Build an effective resume and cover letter. Network with industry professionals. Establish a profile on networking sites like LinkedIn.

Key Terms

blind-box ad
employee referral
employment agencies
executive search firms
expatriate
host-country national (HCN)
internal search
job fairs
leased employees
online résumés
passive candidates
recruiter
recruiting
social recruiting

HRM Workshop

Reviewing Important Concepts

1. Explain how social media and other online sources are used to recruit candidates. (LO 4)
2. What are some challenges to effective recruiting? (LO 2)
3. Present the advantages and disadvantages of promote from within policies. (LO 3)
4. Explain the advantages and disadvantages of the external recruitment alternatives. (LO 4)

5. Describe the differences one may encounter when recruiting globally. (LO 7)
6. What services does your college career center offer to help you land a job when your education is complete? (LO 8)

Evaluating Alternatives

7. When you suggest that your employer use Facebook, LinkedIn, and Twitter to advertise job openings for a new clinic because the medical staff necessary is in short supply, the clinic director refuses, declaring "That's just not the image we want to present. Patients want to trust their healthcare providers. Besides, nurses and medical technicians aren't going to be looking on Facebook for a job." How much truth is there to his statement? Do you agree? Explain your choice of the best combination of methods to recruit medical staff. (LO 1, 2, 4, 5, 6)
8. "The only employer brand that matters is salary. If an employer pays a competitive or slightly higher salary with competitive benefits, they'll get the same applicants everyone else does." Evaluate the statement from an opposing and agreement point of view. (LO 1, 2)

Research and Communication Skills

9. What is the next "big thing" on the horizon for recruiting? Research trends in recruiting, evaluate developments in technology and recruiting practices, and report your predictions. Present your findings to the class, with examples of the latest recruiting practices and your predictions about the future of recruiting. (LO 2, 4, 5, 6)
10. Visit three different online job-recruiting sites or virtual career fairs. Explain the sites you visited. Describe the similarities and differences you noticed among the three. Which site did you prefer? Which seems most effective? Which has the most features for employers or employees? Explain your selections with an interactive demonstration and presentation to your class. (LO 4, 5)
11. Compare the employment site of the state in which you live to two other state employment sites. What types of jobs do they seem to specialize in? Are there additional services offered to job seekers or the unemployed? How do they compare to CareerBuilder and Monster? Summarize your findings in a two- to three-page paper or a personal blog. (LO 4, 5)

Making a Difference SERVICE LEARNING PROJECTS

Organizations of all types need to recruit members and volunteers, including nonprofits and your college. This important staffing function allows many opportunities for service activities.

Ask your college placement office or local chapter of the Society of Human Resource Management (SHRM) if they need student volunteers to assist with career fairs on campus or off campus. This is a great opportunity to learn more about recruiting and make contacts with HR recruiting representatives.

- Contact your college recruiters about assisting with college recruitment efforts such as calling prospective students and giving campus tours.
- Community organizations often need help with events. Volunteer your services to recruit volunteers for parades, festivals, JDRF Walk to Cure Diabetes, Susan G. Komen Race for the Cure, or other community events.
- Create, organize, and recruit volunteer staff for a campus blood drive with the cooperation of your local blood bank or Red Cross Chapter.

As you put your service learning experience together, keep a journal of your activities, the time you spend, contact information for people you work with, and your thoughts about the process. When you're finished, make a presentation to your class about the experience and what you learned. What concepts in Chapter 6 were you able to apply?

Case Application 6-A GROWING PROBLEMS AT OUTDOOR SOLUTIONS

Outdoor Solutions is a provider of lawn care, snow removal, and exterior home services with a history of steady growth and an excellent reputation for reliable service. A recent upturn in home construction has increased demand for services, but Rob Dow, the owner is having trouble meeting the demand.

Dow expressed his frustration to his Friday morning networking group over coffee and asked other business owners how they managed to keep fully staffed with qualified workers. "Getting and keeping good employees is so hard. Out of ten applicants, I'm lucky to get two that have adequate math skills and can pass a background check. Chances are one of them will quit in six months. I was hoping to expand, but at this rate I'll be lucky to maintain our current customers." Several commiserated, sharing their hiring and turnover problems.

Dow turned to Metinka Bower, owner of a local office staffing company and asked if she had the same problem, or if she had a magic pill that turned applicants into awesome workers. She replied, "No, no magic pill, but there are a few things you can do to increase the odds." When pressed for a solution, she explained that it depends on the situation and volunteered to stop by Outdoor Solutions later in the day after visiting a nearby client.

Her discussion with Dow revealed that until last year, he had relied on employee referrals and newspaper ads for recruiting. He told her "I try to have a friendly, casual atmosphere. We treat workers fairly and try to promote from within, that's why employee referrals have always worked." Dow went on to explain that when those sources weren't adequate, he put ads on Craigslist. He also explained that pay and benefits are competitive with other providers of similar services in the area. He was reluctant to raise the starting wage due to the extensive training necessary for new hires, including handing of chemicals, safety, defensive driving, and customer service. "They get a great education here, but after six months, it seems like half of them leave because they think they can start their own service and make more money."

Bower asked if she could speak to a few employees. Dow introduced her to Bette Jordan, who was responsible for safety and training and left to take a call. Jordan agreed that the math and communication skills of applicants have steadily declined. "Rob's inability to stay fully staffed is causing all sorts of other problems. Some of our experienced workers are starting to leave because they're getting tired of waiting for the promotions Rob promised would occur when we expand. They're also tired of all the overtime they're putting in. Rob says that it's a 'family friendly' workplace, but it really isn't because they're working so late." She went on to confide "I probably shouldn't tell you this. Rob doesn't even know, but one of the guys put a photo of himself chained to his mower on Instagram and all the employees saw it. I hear there are other things posted that don't make the company look very good either. For example, when the local paper included us in an article on how to start a great lawn, there were a couple of anonymous comments on their website about the long hours and boring work at Outdoor Solutions."

Questions:

1. Explain factors that complicate the recruiting process at Outdoor Solutions. (LO 1, 2)
2. Suggest the best choices of internal and external recruiting methods to improve the number and quality of applicants for Outdoor Solutions. Explain your choices. (LO 3, 4)
3. **Research:** Search several online sites for staffing issues for small businesses and suggestions for better recruiting and retention. Explain the common concerns and suggestions. Be sure to include your sources. (LO 1, 2, 3, 4, 5, 6)

Case Application 6-B POLICING PARADISE: HOW THE HONOLULU POLICE DEPARTMENT DEVELOPED ITS BRAND

For years, the chiefs of the Honolulu Police Department (HPD) used *ohana*, the Hawaiian word for family, to describe the department. Family is important in Hawaiian culture and *ohana* is the reason why officers joined and stayed with the force.

Police departments all over the United States are experiencing a reduction in applications, requiring increased emphasis on recruitment. The Hawaiian islands and their near-perfect weather may be inviting, but Honolulu has some recruiting challenges that the rest of the country doesn't encounter, including the limited population and relative isolation of the Hawaiian Islands, competition for applicants from other law enforcement agencies, and the relatively high expense of living in Hawaii.

Adding urgency to HPD's recruiting efforts, a significant number of officers are at or nearing retirement age. It takes a long time to get hired too. Processing applicants through testing and background checks takes up to 7 months. Typically, only 3 percent of the applicants are then accepted into the 6-month training class, and several of those do not complete training.

Several years ago, the department's leaders decided that a massive recruiting campaign built around their *ohana* family-style culture is necessary to bolster recruiting efforts. The branding and recruiting campaign has included a variety of activities including the following.

Department image and culture was promoted as close knit and service oriented rather than the usual rough and tumble image of police departments.

- Women's recruitment seminars were held.
- Radio and TV ads were purchased.
- HPD website is updated daily.
- Recruiting events are held several times each year.
- Facebook, Twitter, and YouTube are utilized to provide information.
- Physically fit young people were targeted with recruiting efforts at beach volleyball tournaments, college, and even high school athletic events.
- A police recruiting van was a visible presence at community events.
- People on the mainland with ties to Hawaii, such as prior military service, were targeted.
- Officers who had left the force for departments on the mainland were contacted.

As a result of the recruiting efforts, HPD has escaped shortages of officers in recent years, but it remains to be seen if future staffing challenges can be avoided.[25]

Questions:

1. How could the Honolulu Police Department have used other internal and external recruitment methods to make recruiting more effective? (LO 3, 4)
2. How important is branding for law enforcement agencies? In what ways can an effective employment brand benefit recruiting efforts? (LO 1, 2)
3. Design a social media strategy to reach potential applicants for HPD. How will it differ from the social media recruiting strategy of mainland law enforcement agencies? (LO 5)
4. **Research:** Take a look at the Honolulu Police Department Career Center at www.honolulupd.org. Investigate their recruiting pages and videos. In what ways does the content support the employment brand? What suggestions can you make to improve their recruiting efforts? (LO 1, 2, 4, 5)

7 Foundations of Selection

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Awards for employers and employees aren't a new concept. Lists of great places to work celebrate employers with great cultures, benefits, and opportunities for employees every year. Kyle Horn has a different sort of recognition in mind. Recognize employers who take a chance on job seekers who are trying to overcome personal challenges such as long-term unemployment, homelessness, disabilities, criminal histories, or mental illness. According to Horn, "Our society celebrates lottery winners, celebrities and professional athletes. Yet, if these are the only paths to self-sufficiency, then most Iowans will never escape poverty. It's time for a new kind of hero." To recognize those heroes, Horn established the Iowa Job Honors Awards to recognize workers who have overcome challenges and the employers who gave them a chance.

In his position as Business Development Manager at Manpower, Horn works with employers and highly qualified job seekers every day, yet his passion is to "equip job seekers with the tools required to win a second chance." His interaction with employers reinforces his commitment to those who have overcome significant barriers to employment and the employers that aren't afraid to give them a job. "I frequently interact with business leaders who complain that a dwindling workforce and widening skills gap are hindering business expansion in our state. At the same time, I see thousands of unemployed and underemployed Iowans struggling to find good jobs. Together, we can do more to bridge this gap."

The first awards program recognized two employees that conquered challenges to earn employment and two employers, Iowa RV manufacturer Winnebago Industries and T&D Repair, a provider of heavy duty truck and trailer repairs. According to Winnebago Personnel Supervisor Gary McCarthy, "Our employees are very loyal, hardworking, and dependable. Because of their struggles, they really value their job." T&D Repair owner David Dingman added, "Some of my best employees are the ones with limitations, because they strive harder than everybody else."[1]

Looking Ahead

Take a look at the Job Honors Program at www.jobhonor.org and watch the stories of the honorees. Would you be willing to take a chance on an applicant with significant challenges or would you rather play it safe?

LEARNING OUTCOMES

After reading this chapter, you will be able to:

1. Explain the purpose of screening applicants and how initial screening is conducted.
2. Explain how application forms are used and the relevant legal issues.
3. Outline the types and uses of preemployment testing.
4. Explain several different interview formats and what interviewers need to know to conduct effective interviews.
5. Discuss the perceptual errors common in the interview process and ways to prevent them.
6. Explain the purpose and legal issues involved in conducting background investigations.
7. Explain the purpose of the three types of validity.
8. Explain factors relevant to employment offers and global selection.
9. Outline how to personally excel in the interview process.

Introduction

In the chapter opener, Winnebago and T&D Repair made hiring decisions that were hard to justify if measured by the principles of selection in this chapter. Yet, they took a chance and hired workers who would probably fail an interview and couldn't pass background checks or preemployment testing. Tight labor markets force employers to take a second look at job candidates who did not pass screening when workers were plentiful, and many employers are considering more nontraditional applicants. In some cases, the employers are eligible for tax credits. Others like Home Depot work with community organizations that train workers and monitor performance. Some just take a leap of faith.

Successful selection of employees is both an art and a science, a process that requires a lot of careful planning. At the heart of the process is the goal of finding employees that are capable of successfully completing jobs that have been thoughtfully created via job analysis to fulfill the organizational mission. Part of that mission may be to be a good partner in the community, whether there's an award to be earned or not.

Screening Applicants

Applicants will likely include those who are completely unsuitable for the position, some who are totally overqualified, and many who fall between the two extremes. The purpose of the screening process is to sort through the applicants and determine which meet the minimum qualifications based on the job specifications and should continue through the selection process. Selection activities follow a standard pattern, beginning with an initial screening interview and concluding with the final employment decision. The selection process typically consists of eight steps: (1) initial screening, (2) application forms, (3) preemployment tests, (4) interview, (5) conditional job offer, (6) background investigation, (7) medical or physical examination, and (8) job offer. Each step expands the organization's knowledge about the applicant's background, abilities, and motivation. Steps may be skipped if they do not provide relevant information, for example, when filling a position with an internal candidate. Applicants should also be advised of any specific screening, such as credit checks, reference checking, and drug tests. The flow of these activities is depicted in Exhibit 7-1.

initial screening
The first step in the selection process whereby job inquiries are sorted.

The first step is the **initial screening** of potential candidates based on qualifications as described in the job description and job specification such as appropriate experience, skills, and education. Many organizations simplify the screening process by utilizing software to sort through the submitted applications. Unqualified applicants are notified and may be kept in a database for future openings. Qualified applicants are forwarded to HR for screening interviews. Screening software is often included in a package of services that will design the company's career website, forward openings to job boards and social media, and track applicant and hiring data for HR metrics such as "time to hire" and EEO compliance.

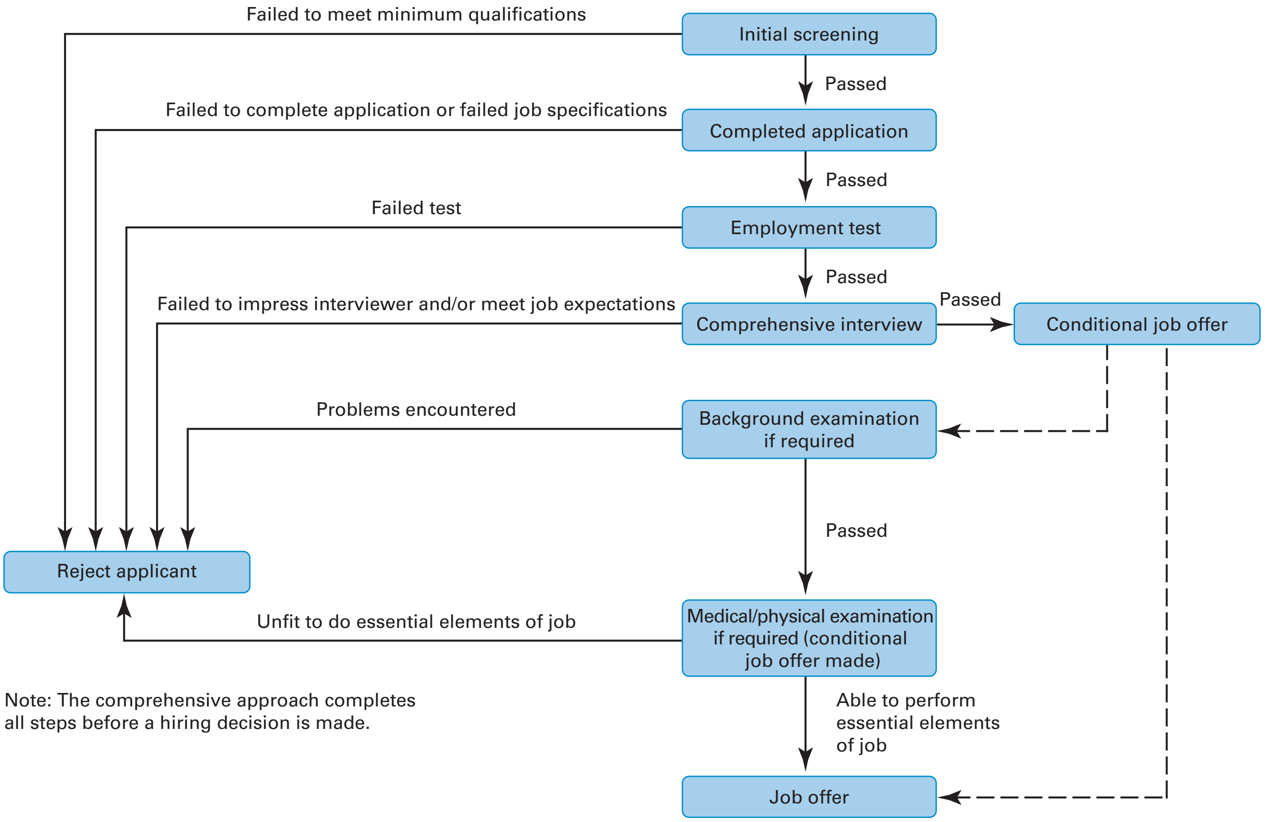

Initial screening
Failed to meet minimum qualifications
Passed
Completed application
Failed to complete application or failed job specifications
Passed
Employment test
Failed test
Passed
Comprehensive interview
Failed to impress interviewer and/or meet job expectations
Passed
Conditional job offer
Background examination if required
Problems encountered
Passed
Reject applicant
Medical/physical examination if required (conditional job offer made)
Unfit to do essential elements of job
Note: The comprehensive approach completes all steps before a hiring decision is made.
Able to perform essential elements of job
Job offer

Exhibit 7-1

The Selection Process

From advertising an opening to offering a job, HRM and the applicant may go through many steps. Not all employers use every step, but the comprehensive approach used by many employers is illustrated here.

Screening interviews are often done by phone and are an excellent opportunity for HRM to describe the job in enough detail so that the candidates can consider if they are actually serious about applying. They are typically short discussions of the candidate's relevant experience as submitted on the application form. It's also a way to assess communication skills. Screeners need to remember that the candidate is forming an impression of the company at the same time, so it's important to be friendly, professional, honest, and to project the company culture or employment brand. Explain when the next step will occur and what to expect. Do not offer an official job interview during the phone screening interview.

Many organizations are replacing telephone screening interviews with online video screening. Several vendors offer online interviewing platforms tailored to the employer's specific needs. For example, specialized software allows employers to send prospective employees an e-mail link. When the candidate clicks on the e-mail link, they are recorded on a web cam as they answer a list of questions. The video is a one-way conversation between the candidate and the camera, providing scheduling convenience for the candidate and the HR department.

Another important point during the initial screening phase is to identify a salary range. Most workers are concerned about their salaries, and even if a job opening sounds exciting, a low salary may drive away excellent talent. During this phase, if proper job analysis and evaluation has been conducted, you should not need to mask salary data.

Application Forms

The applicant may be required to complete the **application form** before or after the phone screening interview. It may be online or hard copy format and includes contact information, education, experience, skills, accomplishments, and references. Applications may also obtain other job-related information the company wants and needs in order to make a proper selection. Completing the application also serves as

application form
Provides basic information on applicant's contact information, education, skills, and work experience.

TIPS FOR SUCCESS

Professionalism on the Phone

HR professionals spend quite a bit of time on the phone, so it's a good idea to learn the basics of phone etiquette at the beginning of your career. A few simple tips will help you make a more professional impression whether you are calling an applicant or if you're the one receiving the long awaited call about your own interview or promotion:

- **Reduce the Distractions.** Focus on the conversation. Ignore your computer screen, e-mail notifications, and any other phones such as a personal cell phone. The listener can tell that you're not fully engaged in the conversation.
- **Speak Clearly.** Make yourself easy to understand. Sit up straight so you can breathe adequately. Practice an appropriate volume and pace so you aren't shouting or talking too fast for the speaker to listen well. If you're conducting a screening interview, the applicant may be too intimidated to ask you to repeat yourself and you won't get an accurate or appropriate answer to your question. Avoid saying things like "yup" and "uh huh." Standard English makes a better impression.
- **Introduce Yourself.** Begin by saying your name and the name of your company before asking, "May I speak to . . ." Be ready to give a short explanation of the reason for your call. If you get a receptionist or voicemail, give your name, reason for the call, and a number where you can be reached. Be sure to repeat the number. Accuracy is important.
- **Answer the Phone.** "Hello" is a start, but in a business environment, you need to go on to identify your employer or place of business and then say your name. A good example would be "Human Resources, this is Benjamin Wu speaking. How may I help you?"
- **Set Up Your Own Voicemail.** Whether at work, home, or your personal cell phone, your voicemail message needs to be clear and professional. At work, the best option is to tell the caller your name, the date, whether you're in the office that day, and when the caller can expect you to return the call. On your personal phone, remember that the caller may be a prospective employer, so resist the temptation to leave a cute or funny message.
- **Make Sure You Understand.** Don't be afraid to ask the person on the phone to repeat something if you're not sure you understand. Cell phones and speaker phones sometimes have a momentary gap after someone speaks that result in two people talking at the same time. Just saying "I'm sorry, would you please repeat that?" is a lot better than wondering if you got the information you need correctly.
- **Hold On.** If you must put someone on hold, be sure to ask permission to do it and wait for the answer. It's possible that they would rather call back another time. Make sure you know how to use the hold feature on your phone.
- **Call Back.** If you've said you'll call back at a certain time, do it. If that becomes impossible for some reason, call them as soon as possible.

Things to think about:

Have you encountered other issues that made phone contact ineffective or left a bad impression? What other suggestions would you add?

another hurdle. If the application is incomplete or contains errors, then it is a job-related reason for rejection. Finally, applications require a signature attesting to the truthfulness of the information given and giving permission to check references. If, at a later point, the company finds out the information is false, it can justify immediate dismissal.

Legal Issues

In Chapter 3, we discussed several court cases that involve discrimination in the hiring and screening process. Courts have consistently held that any question listed on a job application form or asked in an interview must be job related. Subjects to be avoided include birthdates, graduation dates, military discharge, amount of sick leave taken in previous employment, race, citizenship, or marital status because they all may provide information that could be used to discriminate on some level.[4] Several states have recently passed "ban the box" laws referring a check box on an application form that indicates the applicant has been arrested or convicted of a crime. This is in response to concerns that it makes it nearly impossible for ex-offenders to get hired, and employers were eliminating minority applicants with a criminal history at higher rates than nonminorities.

Applications typically include a statement giving the employer the right to dismiss an employee for falsifying information. They also typically indicate that employment is at

TIPS FOR SUCCESS

Too Much Information

Many years ago it was common practice to put photos on résumés, or for employers to request photos with applications. The idea sounds antiquated now, doesn't it? The practice was stopped because the appearance of using the photos to discriminate based on gender, race, or age left employers open to liability.

Fast forward to our world of online social networking where Facebook alone claims over a billion active users. Do employers take a giant step backward when they look up applicants' profiles on Facebook, the more career-oriented LinkedIn, Instagram, or even Pinterest? Social media sites reveal far more about their members than just their physical appearances.

Estimates of the number of employers who check the social media profiles of applicants are as high as 80 percent, and those are just the ones who admit doing it. Looking up candidates is not illegal and privacy settings on user profiles have eliminated much of the liability because users can easily protect information they don't want the world (or parents and employers) to see. The problems start when employers make hiring decisions based on online information that isn't job related, or discriminates against the applicant in violation of EEO laws. Candidates don't help the situation. Here are some examples of self-disclosing profiles on Facebook:

A candidate discloses that he kicked a drug habit, got out of rehab, and is getting on with his life.

- "My Ritalin level must be down today," writes a young prospective employee.
- Another candidate posts the comment, "The turning point in my life: attending a college course on 'under-represented minorities and the continuing plight of African Americans in the white community.'"
- A job applicant writes, "Nothing is more important to me than the values I have learned from being a Seventh Day Adventist."[2]

Comments like these on social networking sites can reveal information that the employer is prohibited from asking or using in an interview, and photos can reveal an applicant's age, ethnicity, religion, and family information that may not be used in evaluating applicants. Candidates who are rejected based on information found online may claim that they are the victims of illegal discrimination because the employer used information indicating the candidate's race, religion, or other irrelevant factors in the hiring decision. Another issue is the possibility of mistaken identity when others have the same or similar names to applicants.[3]

Employers need to have a policy in place that outlines the purpose of online searches and specifically states that they do not base any decisions on race, color, national origin, gender, faith, disability, or any other protected situation. Candidates should be hired or rejected based only on legitimate job-related criteria.

On the other hand, Google and social media sites can be valuable tools in doing your due diligence as you investigate potential employees along with state court record sites and services that will conduct thorough online searches for employers. If you choose to use social media sites such as Facebook and LinkedIn, it's a little safer to use it after a face-to-face interview so the employer cannot be accused of using non-job-related criteria as a way to screen applicants. Even then, experts recommend that someone other than the decision maker do the online research about the candidate. The researcher should only report to the decision maker that the candidate's online presence did or did not present any concerns or "red flags" that would eliminate the candidate from consideration.

Things to think about:

What are your thoughts on the issue? As an employer, would you check an applicant's online profiles before or after an interview? What would you consider a "red flag"? As job candidate, would you consider "cleaning up" your personal online presence during your job hunt?

the will of either party (the employer or the employee can end the work relationship) and that the employee understands that employment is not guaranteed. Furthermore, the applicant gives the company permission to obtain previous work history.

Weighted Application Forms

weighted application forms A special type of application form that uses relevant applicant information to determine the likelihood of job success.

Weighted application forms help HRM screen applicants based on traits that indicate success on the job.[5] In order to do that, characteristics of successful employees are identified and given more consideration than others that are not as likely to contribute to success. For example, if HRM is interested in developing a weighted application form that would predict which applicants for the job of accountant would stay with the company, they would first examine the application forms of previously hired accountants.

DIVERSITY TOPICS

Questions to Avoid

There are no interview questions that are actually illegal, but asking questions about characteristics that are not relevant to the ability to perform job duties such as age, disability, national origin, race, religion, gender, or veteran status are interpreted as a discriminatory hiring practice. Anyone participating in the interview process should receive training on preventing discriminatory practices and questions.

Remember that legal protections for employee and employer vary from state to state. For example, the "ban the box" initiatives mentioned earlier prohibit employers from asking about criminal convictions on application forms in some states, yet those laws vary when specifying at what point in the hiring process that information can be obtained and used in a hiring decision. The following is a representative list of unacceptable questions that may lead to direct or indirect discrimination because of the "adverse impact" of how the answer may affect protected groups. Acceptable questions are listed if there is an acceptable alternative. The list is NOT all-inclusive.

Topic	Unacceptable	Acceptable
Reliability and attendance	Number of children? Who is going to baby-sit? Do you observe Yom Kippur/Ramadan/Christmas? Do you have preschool age children at home? Do you have a car?	What hours and days can you work? Are there specific times that you cannot work? Do you have responsibilities other than work that will interfere with specific job requirements such as traveling?
Citizenship and national origin	Where are you from originally? Where are your parents from? What is your maiden name?	Are you legally eligible for employment in the United States? Have you ever worked under a different name?
Arrest and conviction	Have you ever been arrested?	Have you ever been convicted of a crime? If so, when, where, and what was the disposition of the case?
Disabilities	Do you have any disabilities that may interfere with job performance or attendance?	Can you perform the duties of the job you are applying for?
Credit record	Do you own your own home? Have your wages ever been garnished? Have you ever declared bankruptcy?	Credit references may be used if in compliance with the Fair Credit Reporting Act of 1970 and the Consumer Credit Reporting Reform Act Of 1996.
Military service	What type of discharge did you receive? Are you in the National Guard or Reserves?	What type of education, training, and/or work experience did you receive while in the military?
Language	What is your native language? How did you acquire the ability to read, write, or speak a foreign language?	What languages do you speak and write fluently? (If the job requires additional languages)
Organizations	Which clubs, societies and lodges do you belong to?	Are you a member in organizations which are relevant to your ability to perform the job?
Race or color	Include a recent photograph	No acceptable alternative
Worker's compensation	Have you ever filed for worker's compensation? Have you had any prior work injuries?	No acceptable alternatives
Religious faith	Inquiry into applicant's religious denomination, religious affiliations, church, parish, pastor, or religious holidays observed	No acceptable alternatives unless there is a bona fide occupational qualification.
Gender	Do you wish to be addressed as Mr.?, Mrs.?, Miss?, or Ms.?	No acceptable alternative.
Education	When did you graduate from high school or college?	Do you have a high school diploma or equivalent? Do you have a university or college degree?
Personal	What color are your eyes and hair? What is your height and weight?	No acceptable alternative unless there is a bona fide occupational qualification.

The application forms would be analyzed for differences in characteristics of those that stayed less than a year and those who stayed 5 years or more. If it was discovered that the accountants with advanced degrees were more likely to remain with the organization, advanced degrees would be weighted more heavily in the employment decision.

Online Applications

Many companies provide the opportunity to complete applications online, which feeds the candidate's information directly into an HRIS applicant tracking system or screening software. Employers who have switched to online applications have found that in addition to helping eliminate the use of paper, online applications provide significant cost savings and help HRM with compliance issues through the use of electronic forms such as an online I-9 form.[6] This also assists HR in tracking the characteristics of successful candidates.

Preemployment Testing

A large majority of employers do some type of preemployment testing. A wide variety of tests and testing providers can determine if applicants have the skills they claim to have, if their personality is a good fit with the job or company culture, cognitive ability, math skills, integrity, and use of legal and illegal drugs. Many preemployment tests can be administered online. For example, Lowes, Home Depot, and Target give web-based selection tests to applicants right in the stores.[7] Employers recognize that the investment in time and cost of these tests, combined with other selection tools and a well-thought-out hiring process, results in better quality hires. We'll cover a few of the most commonly used tests.

work sampling and performance simulation tests
A selection device requiring the job applicant to perform a small sampling of actual job activities.

assessment centers
A facility where performance simulation tests are administered. These include a series of exercises used for selection, development, and performance appraisals.

Work Sampling and Performance Simulation Tests

Work sampling and performance simulation tests create a miniature replica of a job. These tests require the applicant to demonstrate specific competencies that have been identified as necessary for performing the job successfully. Carefully devised work samples based on job analysis data determine the knowledge, skills, and abilities needed for each job. Then, each work sample element is matched with a corresponding job performance element. For example, a work sample for a customer service representative at Wells Fargo Bank may involve keyboard computation: the applicant performs computations during a customer transaction. At Lowe's, a potential cashier is screened for a job that requires scanning the prices of a customer's purchases quickly and accurately. Most candidates first go through a similar work-sampling session where supervisors demonstrate how to scan accurately, ensuring that the product did indeed ring up. Then the candidate is given an opportunity to show that he or she can handle the job. A test for a retail salesperson or restaurant wait staff may include a role play with a difficult customer. Teaching a sample lesson may be required for a teaching assistant or adjunct professor.

Assessment Centers

A more elaborate set of performance simulation tests, specifically designed to evaluate a candidate's managerial potential, are administered in **assessment centers**. Assessment centers use procedures that incorporate group and individual exercises. Applicants go through a series of these exercises and are appraised by line executives, practicing supervisors, and/or

How can an organization like Lowe's ensure that it has the right person handling the checkout counter? Using work sampling as part of the selection process, the organization can determine which candidate has the requisite skills to perform the job.

© AP/Wide World Photos

trained psychologists as to how well they perform. As with work sampling, these exercises are designed to simulate the work of managers and tend to be accurate predictors of later job performance. In some cases, however, the assessment center also includes traditional personality and aptitude tests.[8]

Global Differences in Testing

Many of the standard selection techniques described in this text do not easily transfer to international situations. When recruiting and employing host-country nationals, typical American testing may not be appropriate. For example, handwriting or graphology tests, rarely used in the United States, are frequently used in France. Accordingly, whenever American corporations prepare to do business abroad, their practices must adapt to the cultures and regulations of the country in which they will operate. For example, personality testing should be evaluated in the cultural context of the country in which it is given.

Interviewing Applicants

comprehensive interview
A selection device used to obtain in-depth information about a candidate.

Applicants who pass the initial screening, application form, and required tests typically receive a **comprehensive interview**. The applicant may be interviewed by HRM interviewers, senior managers within the organization, a potential supervisor, colleagues, or a combination. The comprehensive interview is designed to probe areas not easily addressed by the application form or tests, such as assessing a candidate's motivation, values, ability to work under pressure, attitude, and ability to "fit in" with the organizational culture. Many organizations are adopting the philosophy of Southwest Airlines and Four Seasons resorts, "Hire for Attitude, Train for Skill." They recognize that getting to know the applicant's personality is crucial. An employee's knowledge can change, but most likely, their personality will not.

Interview Formats

Interviews can take many forms that vary in format and approach, including a one-on-one encounter between the interviewer and the applicant or several individuals who interview an applicant at once. The interview may be led by the interviewer with specific questions the interviewer may give considerable control to the applicant with broad, open-ended questions. The interviewer may even intentionally create a difficult environment in which the applicant is "put to the test" to assess his or her confidence levels. The best format and approach depends on the situation.

One-on-One Interview The most common interview is the one-on-one format. They allow a manager or HR professional to put the applicant at ease in a nonthreatening atmosphere. When a large number of applicants must be interviewed, this also is the most efficient use of management or HR personnel.

Panel Interviews include a team of several interviewers who meet with the candidate at the same time. Sets of questions are frequently created in advance and assigned to panel members who may ask follow-up questions. Following the interview, panelists compare observations. The goal is a more reliable evaluation of the applicant's abilities when the panelists compare their impressions. Many organizations are team-oriented and empower their employees to take responsibility for the day-to-day functions in their areas. When it's important that the new hire be welcomed into a cohesive work unit, many organizations involve the work unit in the hiring decision. Workers empowered to hire their coworkers bring varied experiences and backgrounds to the selection process. This enables them to assess applicants' skills in their field of expertise with a focus on the job duties, special skills, and qualifications necessary for success. It's important to train any worker involved in interviewing and selection in effective interviewing techniques that avoid any questions or qualifications that may be discriminatory.

REAL HR ENCOUNTERS

Involving Employees in the Selection Process

Amy Van Baale, Vermeer Corporation

There are pros and cons in all decisions we make. Some positive things to consider when allowing team members to have equal say with possible candidates are as follows:

- Giving team members the opportunity to assist with the hiring process empowers them. It makes them feel appreciated and important, which improves morale and retention.
- They have a vested interest in helping the new hire succeed and will be more likely to help him/her become part of the team.

Some reasons to not let team members assist with equal say in the hiring process:

- Some employees may feel threatened by a candidate if they view them as potential competition whether it's for future promotions or for petty reasons.
- They may be prejudiced against the candidate if the job was previously held by a friend or favorite coworker.
- If an employee is enthusiastic about a candidate, but management feels he/she wouldn't make for a good hire (or vice versa), there becomes a dilemma and resentment could follow.

Employees are not HR professionals and may inadvertently ask inappropriate questions like an applicant's age and whether they are married or have children. They may have not been trained or have the experience in interviewing skills or what things to look for in finding the best candidate. Supervisors and managers have more knowledge in this process, and they also know their employees and should be familiar with who would and would not make a good fit with the team and the company.

Online Interviews Use of online interviewing is expanding rapidly. Companies such as HireVue and Spark Hire provide web-based platforms that allow real-time one-on-one interviewing or "on-demand" interviews that allow candidates to log on at any time and answer a predetermined set of interview questions. Hilton Worldwide uses **online Interviews** to make interview scheduling easier and increase consistency and make more accurate comparisons between candidates.[9] Online interviewing has been used for organizations of any size, hiring for entry to executive-level positions.

online interviews Candidate and interviewer use web-based technology to ask and answer interview questions.

Structured Interviews Interviewers may choose to lead the interview in a **structured interview** plan that includes a specific set of questions asked of all candidates. This is also called a directive interview**.** The questions are usually designed to determine how well the candidate is qualified for the essential functions and job specifications on the job description. If all candidates have been asked the same questions by the same interviewer or panel, they can be evaluated in an "apples-to-apples" comparison.

structured interview A specific set of questions is asked of each candidate.

Unstructured Interviews Also called nondirective interviews, **unstructured interviews** are more like a free-flowing conversation between the applicant and interviewer. Questions are open-ended and intended to let the applicant set the course of the interview. Examples include "Tell me about yourself" or "What type of working environment do you prefer?" Unstructured interviews may give a greater insight into the candidate's personality, but the topics covered can vary widely. Without an "apples to apples" comparison, it can be more difficult to objectively compare the abilities of candidates to each other. This makes them more suitable for higher-level positions than entry level.

unstructured interview Candidates are asked open-ended questions and are allowed to set the course of the interview.

Behavioral Interviews attempt to predict a candidate's abilities by asking how they handled situations in the past. Questions are designed to determine if the applicant has job competencies necessary for success as determined in the job analysis. The questions are open-ended and may include complex problems or situations such as describing a situation that required a job-related skill such as disciplining an employee, handling a difficult customer, or initiating a team-building activity. Candidates are evaluated on the actions taken to resolve the situation and the outcome.

This type of interview can also provide an opportunity for interviewers to evaluate communication skills, problem-solving skills, and sense of humor. **Behavioral interviews**

behavioral interview Candidates are asked to describe how they actually handled a given situation.

can be more indicative of a candidate's performance than simply having the candidate tell the interviewer what he or she has done. In fact, research in this area indicates that behavioral interviews are nearly eight times more effective for predicting successful job performance.[10]

stress interview
Candidates are put in uncomfortable situations to see how well they handle stress.

Stress Interviews **Stress interviews** are staged events in which interviewer deliberately creates an uncomfortable atmosphere to see how the candidate will react under pressure. It may involve asking rapid-fire questions, challenging the applicant's answer, or even insulting the applicant. These may be helpful for positions that encounter stressful situations on a regular basis such as law enforcement or customer service.

What Interviewers Need to Know

Interviewing is often the responsibility of managers or business owners who find themselves working through the hiring process without the necessary expertise. Hiring mistakes may be made for many reasons including not having a job description, no prepared questions, spending more time talking than listening, skipping reference checks for a likeable applicant, or hiring someone they know isn't completely qualified, and hope for the best. Training supervisors and managers in how to interview effectively can increase the odds of a successful hiring decision.

- **Review the job description and job specification.** Reviewing pertinent information about the job provides valuable information on how you will assess the candidate. Furthermore, knowledge of relevant job requirements helps eliminate interview bias.
- **Prepare a set of questions** to ask all applicants. A set of prepared questions will increase the odds of finding out relevant information and making better comparisons between candidates.

TIPS FOR SUCCESS

Preparing Interview Questions

As an interviewer, you need to determine if the applicant has the aptitude, ability, and skills to perform the essential functions of the position. You also need to assess the applicant's soft skills. Soft skills are those skills that make the person a good fit for the position and the organizational culture, including communication, teamwork, and problem-solving skills. Here are a few suggested questions to learn about integrity, personality, mistakes, and problem-solving.

Assessing Integrity
- In what business situations do you feel honesty would be inappropriate?
- What would you do if your boss asked you to do something unethical?

Assessing Personality
- What kinds of people bother you? Why?
- Describe a situation in which you had to take a risk.
- What motivates you most?
- What does your employer owe to you?

Past Mistakes
- The last time you were criticized, how did you deal with it?
- If you could change one decision you made in the past year, what would it be and why?
- Describe a situation where you blew it, and what you did to correct the problem.

Assessing Problem-Solving Ability
- What is the most difficult decision you had to make, and why?
- If you could change anything in the world, what would it be?
- Your colleague is talking to you about a problem and needs help. Your boss has just handed you a report with a lot of questions and needs it returned in the next hour. Your assistant tells you a customer is on the phone with a complaint. What do you do to handle these three things happening simultaneously?

Again, remember that asking the questions is the easy part. Listening to the responses and making sense of what is said is the critical part. You need to know what you're looking for and how what is said relates to successful performance on the job.

Things to think about:
Would this list give you an adequate impression of the candidate? What other traits are important to know?

- **Review the application form and résumé** before meeting a candidate. Don't leave the candidate waiting while you read their résumé. Familiarize yourself with their qualifications and potential job fit before the interview. It also shows a respect for the candidate if you are prepared. You expect the candidate to be prepared; you should be prepared too.
- **Open the interview** by putting the applicant at ease and providing a brief review of the topics to be discussed. Keep in mind that interviews are stressful for job candidates. By opening with small talk (e.g., the weather), you give the candidate time to adjust to the interview setting. Explaining the format of the interview and topics to be discussed up front gives the candidate an agenda with which to begin framing his or her responses to your questions. First interviews for entry-level positions usually last between 30 and 40 minutes. For higher-level positions, they should be longer, around 60–90 minutes.
- **Ask your questions and listen carefully** to the applicant's answers. Select follow-up questions that naturally flow from the answers given. Focus on the responses as they relate to information you need to ensure that the candidate meets your job requirements. Any uncertainty you may still have requires a follow-up question to probe further for the information.
- **Take a few notes.** After you interview several candidates, and you'll be surprised how hard it is to remember conversations and candidates. In one study of an interview simulation, a 20-minute videotape of a selection interview was played for a group of 40 interviewers. Following this, the interviewers were given a 20-question test. Although the questions were straightforward and factual, the average number of wrong answers was 10—half of the questions! The researchers concluded that even in a short interview, the average interviewer remembers only half of the information. However, taking notes during an interview has been shown to reduce memory loss, helps the interviewer retain accurate information, and develops a clearer understanding of the applicant's fit by prompting follow-up questions.[11]
- **Close the interview** by telling the applicant what is going to happen next. Applicants are anxious about the status of your hiring decision. Be honest about how many candidates will be interviewed and the remaining steps in the hiring process. Give the candidate a time frame for your hiring decision. In addition, tell the applicant how you will let him or her know about your decision.
- **Write your evaluation** of the applicant while the interview is still fresh in your mind. Don't wait until the end of your day, after interviewing several candidates, to write your analysis of a candidate. Memory can fail you. The sooner you complete your write-up after an interview, the better chance you have for accurately recording what occurred in the interview.

Preventing Perceptual Errors

The list of things that can go wrong in a job interview is long and it would be difficult to address them all here. It turns out that as humans, we put too much faith in our ability to use our own experience and judgment to evaluate candidates. Harvard recently concluded that an algorithm that weighs several objective job-related criteria such as supervisor ratings, number of promotions, and ability to learn from training did a 25 percent better job of selecting successful candidates than experienced managers.[12] The managers were more likely to be distracted by things that were less relevant to success such as an applicant's appearance or pleasant remarks. There are a few ways to make better decisions. Pay attention to important job criteria during initial screening and again during the interview. Having several people involved in meeting the candidate and comparing their evaluations helps make judgments more objective too. Using structured interview questions and understanding some common perception errors makes a difference too.

Impression Management

Applicants usually attempt to project an image that the interviewer approves of in order to be viewed more favorably for the position. Some degree of **impression management** is expected. Candidates all know to dress for success, use good manners, and eye contact. Problems arise when the impression created isn't accurate. For example, if a candidate learns that interviewer is active in community organizations or charities, he may overemphasize his commitment to public service in order to manipulate to this interviewer's impression.

impression management
Influencing performance evaluations by portraying an image desired by the appraiser.

Interviewer Bias

Seeing the candidate's résumé, application form, test scores, or appraisals from other interviewers may introduce **interviewer bias.**[13] In such cases, the interviewer no longer relies on data gained in the interview alone. Data received prior to the interview creates an image of the applicant that can be unjustly negative or positive. Much of the early part of the interview, then, becomes an exercise where the interviewer compares the actual applicant with the image formed earlier.

interviewer bias
Image created by reviewing materials such as the résumé, application, or test scores prior to the actual interview.

For example, many hiring managers have a perception that job seekers with recent employment gaps on the resume are less desirable candidates. Several recent surveys have found no significant difference in job performance in the performance of employees who had no full-time employment in the previous 5 years and currently employed workers.[14] Another misperception involves social media profiles. There are many hazards involved in checking social media profiles before the interview, and one includes the false perceptions created. One survey found that there may be little connection between references to drinking and partying on social media and the level of conscientiousness of the applicant. In addition, candidates who include partying are more likely to be extraverts, which may actually be a desired personality characteristic for some positions.[15]

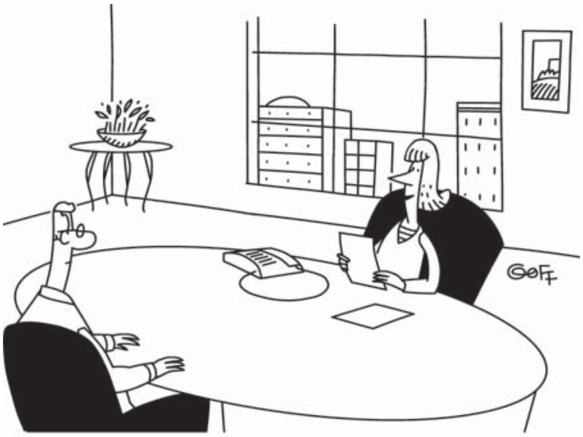
Realistic Job Previews

realistic job preview (RJP)
A selection device that allows job candidates to learn negative as well as positive information about the job and organization.

Applicants also make subjective judgments about the desirability of a job based on false impressions. For example, most of us have pursued a new job based on a glowing description of endless possibilities, only to leave, dejected, and discouraged when the job turned out to be completely different from our expectations. Occasionally, recruiters or advertisements paint a rosy picture of a job that doesn't live up to the hype. For example, an organization where salespeople make a large number of "cold" or unsolicited sales calls might emphasize the excellent benefits and high earning potential for "self-starters," but fail to mention that on average only one out of one hundred calls leads to a sale. Such bait and switch recruitment creates a large number of job applicants and new hires. It also increases replacement costs due to the large turnover when disillusioned employees quit after training, and makes recruiting more difficult when former employees spread the news.

Exhibit 7-2
Background Investigation

A simple online search can turn up some interesting information about a job candidate.



"I looked you up on the web. Those photos of you dancing on your desk in a clown suit sure were funny."

©2009 Ted Goff

The primary purpose of any selection device is to identify individuals who will be effective performers. But it is also in an interviewer's best interest to hire qualified candidates and retain them after incurring the expense of hiring and training. Therefore, part of selection should be concerned with reducing voluntary turnover and its associated costs. One device to achieve that goal is the **realistic job preview (RJP)**. Realistic job previews address the theory that unmet expectations of new employees can cause them to be dissatisfied in the job and quit. RJP may include brochures, online videos, plant tours, work sampling, or a short script that includes realistic statements that accurately describe the job. The key element in RJP is that unfavorable as well as favorable information about the job is shared before the applicant makes a decision. RJP has been used by call centers, police recruiters, nursing homes, and organizations that work with the handicapped. For example, applicants may have an idealized image of police work from watching crime dramas on television or movies. Law enforcement professionals use realistic job previews to show applicants that law enforcement can be quite challenging emotionally and physically, and that crimes are not solved as quickly as they are on TV! Although the RJP is not normally treated as a selection device, it should take place during the interview.

Applicants who receive a realistic job preview (as well as a realistic preview of the organization) hold lower and more realistic expectations about the job they will be doing and are better prepared for coping with the position and its potentially frustrating elements. Most studies demonstrate that giving candidates a realistic job preview before offering them the job reduces turnover without lowering acceptance rates. Of course, exposing an applicant to RJP may also result in the hiring of a more committed individual.

Background Investigations, Medical and Physical Exams

If a job applicant has passed each step of the selection process so far, a **conditional job offer** is usually made. Conditional job offers imply that if the **background investigation**, reference checks, drug tests, physical ability tests, and medical exams are acceptable, the applicant will be offered the job.

conditional job offer A tentative job offer that becomes permanent after certain conditions are met.

background investigation The process of verifying information job candidates provide.

Background investigations, or reference checks, are intended to verify that information on the application form is correct and accurate. Sometimes just notifying applicants that the firm will check all references and former employers is enough to keep them from falsifying any information. If background checks will be completed that require the applicant to sign a consent form to satisfy Fair Credit Reporting Act (FRCA) requirements, the form must be completed before any investigation starts. The form must comply with the FCRA and not be combined with other forms. Disney, Whole Foods Domino's Pizza, and CVS recently faced class action lawsuits related to violations of the FCRA[16] during the applicant screening process. HRM must also remember to ask the candidate to sign a waiver giving the organization permission to check references, former employers, and education Common sources of background information include the following:

- *References* are provided by the applicant and are usually very positive. Even applicants with very poor work records can find someone to agree to be a reference; often it may be a friend or relative. When speaking with references, be sure to ask what their relationship to the applicant is. HRM should also ask for specific instances where the reference has had the opportunity to observe the applicant in a work environment or demonstrating work skills.
- *Former employers* should be called to confirm the candidate's work record and to obtain their performance appraisal. Frequently, you will encounter employers who will be hesitant to provide detailed information and will only provide the dates of employment. This is usually due to a company policy in place to prevent defamation lawsuits from former employees or the mistaken belief that providing more information is illegal. Many states have passed laws protecting employers from civil liability when providing employment verification. Sometimes, HRM can coax more information from former employers by asking them to rate the employee on a "scale of one to ten." If all else fails, HRM should ask them if they would rehire the worker. If they say no, it should serve as a red flag.
- *Educational accomplishments* can be verified by asking for transcripts.
- *Legal status to work in the United States* via the Employment Eligibility Verification, I-9 Form. Employers need to check current guidelines on the acceptability of documents that support an employee's verification of eligibility to work legally. As of May 2011, employers may accept only unexpired

documents. E-Verify is an online system used by nearly 300,000 employers in the United States that checks information provided on the I-9 form to data from the Department of Homeland Security and Social Security Administration. Employers in a few states and some with federal contracts are required to use E-Verify, but for most employers it's voluntary.[17]

- *Credit references*, if job related, subject to legal requirements in Chapter 4.
- *Criminal records* can be checked by third-party investigators. Most states also have easy-to-use websites where you can search public records of criminal records.
- *Background checks* are conducted by third-party investigator also subject to legal requirements in Chapter 4.
- *Online searches* as simple as a "Google" search of a candidate can turn up information on press releases or news items about a candidate that was left off the application or résumé. Social networking sites such as Facebook, Twitter, YouTube, and LinkedIn also provide professional as well as personal information. They also may provide more information than the employer wants, such as references to age, religious affiliation, race, or disability. Employers need to be careful only to consider job-related information. See "Tips for Success: Too Much Information."

Why do this? Documentation supports the premise that a good predictor of an individual's future behavior is his or her past behavior, as well the fact that many—in some studies nearly half—of all applicants exaggerate their backgrounds or experiences.[18] Organizations also need to be aware of negligent hiring liability, which occurs when an employer or employment agency has failed to properly investigate an employee's background and that employee is later involved in wrongful conduct.[19]

Failure to investigate applicants can be costly at best, in the worst case it can be tragic as these examples illustrate:

- A small advertising agency in Chicago, Illinois, hired a temporary bookkeeper through Robert Half International, a large employment agency. By the end of her first year, the bookkeeper had embezzled $70,000 by forging checks on the agency's account. A complete background check would have uncovered the fact that prior to being placed at the advertising agency, she had pled guilty to stealing $192,873 from another employer and was currently serving 4 years' probation.[20]
- Within 2 weeks of being hired, a security guard at a Rite Aid Pharmacy in California sexually assaulted a 13-year-old girl. He continued to work after receiving a suspension while the complaint was investigated. During this "working suspension," he accused a 14-year-old girl of shoplifting. He handcuffed and locked her in an

REAL HR ENCOUNTERS

Checking References

Adam Frey, Buffalo Wild Wings

A mentor of mine said that in a very real way, interviewing was like playing poker. If they are good at bluffing, you aren't going to know until it is too late. Reference checks put all the cards on the table. Even if the reference can only answer limited questions, how they respond can tell you volumes. If they go from happy to surly as soon as you mention an applicant's name, it can be a sign. If they immediately perk up when you mention them, that tells you something else. Also, what number are you calling when you check the reference? Is it someone's personal number, or a work number? Listen carefully, and that can tell you a lot.

The other angle I look at is who are you calling? Are you talking to their direct supervisor? Or are you talking to a manager in a different department? Even if they give a glowing reference, if they never had to directly interact with the applicant on a professional level, how much can they really know? If they list a friend as a reference, and all the friends can say is that they are "good," what does that tell you? In short, I firmly believe in checking references. It is one more tool in your tool box, why not use it?

interview room and sexually assaulted her. The employer did not complete a thorough background check, which would have disclosed that the guard had previously been convicted of sexual assault. Rite Aid settled a lawsuit with the young victims for over $2 million.[21]

- A truck driver for a hazardous waste company caused an accident that killed a man in Texas. A jury found that the employer failed to adequately check his background for drug use and his driving record and awarded the victim's estate $20.7 million.[22]

Negligent hiring assumes that a proper background check would have uncovered information about the candidate, resulting in the candidate not being hired. For instance, any individual who works with children—in a school or day care, for instance—must not have been accused or convicted of abusing children. An organization that fails to check if a candidate has a record and hires the individual opens itself up to a negligent-hiring lawsuit. If the employee is ever involved in some wrongful conduct involving children, the organization can be held liable for its failure to properly hire.

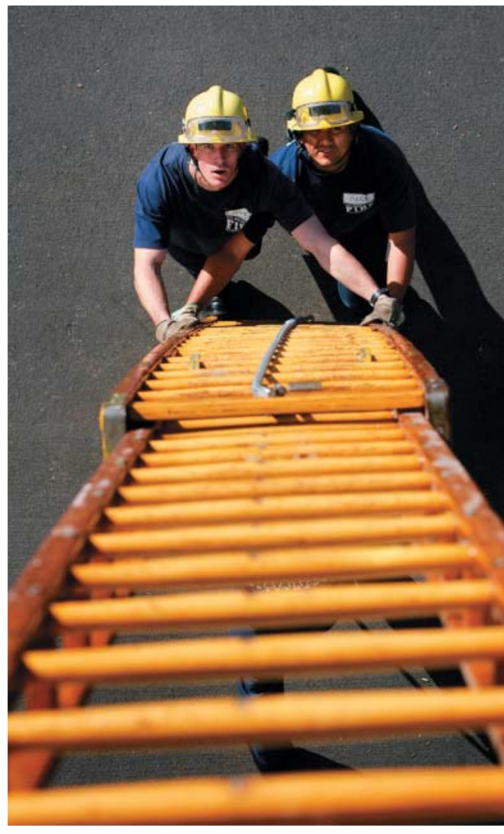
Based on a concept of **qualified privilege**, some courts have ruled that employers must be able to talk to one another about employees. Additionally, about half of the states have laws that protect employers from "good-faith references." Accordingly, these discussions may be legal and may not invade one's right to privacy so long as the discussion is a legitimate concern for the business—and in some cases if the applicant has authorized the background investigation. The information given, however, cannot be discriminatory, retaliate against a former employee, or "disclose confidential facts that constitute an invasion of privacy."[23] A statement giving permission to contact references and former employers may be included in the application form. If not, it should be obtained before contacting them so you can assure them that the candidate has given permission. Even then, many employers will only confirm dates of employment. In this case, ask if the candidate is eligible for rehire. If not, ask why.

Sample questions when checking references may include one or more of the following: Why didn't you persuade him or her to stay? How well did he or she take criticism or suggestions given in his or her last performance appraisal process? Go over the part of the résumé that relates to the reference and ask for comments. Avoid questions that indirectly or directly identify age; physical characteristics, such as height, weight, hair or eye color; religious affiliation; marital and family status; medical history; work absenteeism due to illness or physical limitations; or child- or adult-care obligations. Do not depend on hard-copy letters of recommendation. They are easily and frequently faked.

qualified privilege
The ability for organizations to speak candidly to one another about employees or potential hires.

medical/physical examination
An examination to determine an applicant's physical fitness for essential job performance.

Should firefighter candidates be expected to climb stairs, carry equipment, break through doors with sledgehammers, and carry 165-pound rescue dummies while wearing up to 75 extra pounds of weight? The answer is definitely, yes. The physical demands of the job require firefighters to perform numerous activities, often while under stress.



David McNew/Getty Images, Inc.

Medical/Physical Examination

The next-to-last step in the selection process may consist of having the applicant take a **medical/physical examination**. Physical exams can only be used as a selection device to screen out individuals who are unable to physically comply with the requirements of a job. For example, firefighters must perform activities that require a certain physical condition. Whether it is climbing a ladder, lugging a water-filled four-inch hose, or carrying an injured victim, these individuals must demonstrate that they are fit for the job. Jobs that require certain physical characteristics may entail a job-related physical examination. However, this includes only a small proportion of jobs today.

A company must show that any required medical clearance is job related. Failure to do so may result in the physical examination creating an adverse impact, as explained in Chapter 3. The company must also keep the Americans with Disabilities Act in mind and only require a physical after a conditional job offer. Having a physical disability may not be relevant to the hiring process for the position. As we mentioned in Chapter 3, companies may be required to make reasonable accommodations for disabled individuals. If an applicant is not selected for a position due to a disability, the employer must be able to show that the disability prevented the applicant from performing the job even if reasonable accommodations were made.

Aside from its use as a screening tool, the physical exam may also show that an individual does not meet the minimum standards of health required to enroll in company health and life insurance programs. Additionally, a company may use this exam to provide base data in case of an employee's future claim of injury on the job. This occurs, however, after one has been hired. In both cases, the exam is paid for by the employer. As we discussed in Chapter 4, many companies require applicants to submit to a drug test. Failing an employment drug test may be grounds for rejecting an applicant.

Reliability and Validity in Testing

HR is concerned with selection activities that can help predict which applicants will perform satisfactorily on the job. In this section, we explore the concepts of reliability, validity, and cut scores. For illustration purposes, we will emphasize these elements as they relate to employment tests, but they are relevant to any selection device. Tests must comply with the Uniform Guidelines on Employee Selection Procedures as discussed in Chapter 3. This means that any of the selection criteria needs to predict job performance. Employers need to be able to show that criteria are not discriminatory, including requirements that have an adverse impact on a protected group. The Office of Federal Contract Compliance has responsibility for monitoring compliance with these guidelines and in the last decade, and the fines can be expensive. HRM can't be too careful when creating and validating selection criteria.

Reliability

Have you ever checked your height or weight and received results that just didn't seem right? The first thing you probably thought was that the scale must be off. You might have been at someone else's home or at a different fitness center and determined that was why the scale or height measurement was not the same. You probably decided to use the scale you always use for a more accurate comparison, because there's no way you could have gained that much weight or shrunk a whole inch!

Just like your bathroom scale, for any measure or predictor to be useful, the scores it generates must possess an acceptable level of **reliability** or consistency of measurement. This means that the applicant's performance on any given selection device should produce consistent scores each time the device is used.[24] If the test is reliable, any single individual's scores should remain fairly stable over time, assuming that the characteristic it is measuring remains stable.

reliability
A selection device's consistency of measurement.

Validity

Testing must measure things that are related to job performance accurately. It must also differentiate between satisfactory and unsatisfactory performance on the job. The Uniform Guidelines (Chapter 3) recognize three types of **validity**: content, construct, and criterion related.

validity
The proven relationship of a selection device to relevant criterion.

Content Validity **Content validity** exists when the skills or abilities tested accurately represents situations on the job. All candidates for that job receive the same test or questions so applicants can be properly compared. A simple example of a content-valid test is a typing test for a word processing position. Such a test can approximate the work; the applicant can be given a typical sample of typing, on which his or her performance can be evaluated. Assuming that the tasks on the test, or the questions about tasks, constitute an accurate sample of the tasks on the job the test is content valid.[25]

content validity
The degree to which test content, as a sample, represents all situations that could have been included, such as a typing test for a clerk typist.

Construct Validity **Construct validity** refers to how well a test measures a particular trait related to successful performance on the job.[26] These traits are usually abstract in nature, such as the measure of intelligence, and are called constructs. Construct validity is complex and difficult. In fact, it is the most difficult type of validity to prove because you are dealing with abstract measures.

construct validity
The degree to which a particular trait relates to successful job performance, as in IQ tests.

Criterion-Related Validity **Criterion-related validity** is the degree to which a particular selection device accurately predicts the level of performance or important elements of work behavior. This validation strategy shows the relationship between some predictor (e.g., test score) and a criterion (say, production output or managerial effectiveness). To establish criterion-related validity, either of two approaches can be used: predictive validity or concurrent validity.

criterion-related validity
The degree to which a particular selection device accurately predicts the important elements of work behavior, as in the relationship between a test score and job performance.

To give a test **predictive validity**, an organization would administer the test to all prospective applicants. The test scores would not be used at this time; rather, applicants would be hired as a result of successfully completing the entire selection process. At some prescribed date, usually at least a year after being hired, the applicants' job performance would be evaluated by their supervisors. The evaluation ratings would then be compared with the initial test scores, and analyzed to determine the relationship between test scores (the predictors) and performance evaluation (the measure of success on the job, or the criterion). If no clear relationship exists, the test may have to be revised. However, if the organization found statistically that employees who scored below some predetermined score, called a **cut score** (determined in the analysis), didn't perform successfully, management could appropriately avoid hiring any future applicants scoring below the cut score.

predictive validity
Validating tests by using prospective applicants as the study group.

cut score
A scoring point below which applicants are rejected.

The **concurrent validity** method validates tests using current employees as subjects. These employees take a proposed selection test experimentally. Their scores are immediately analyzed, revealing a relationship between their test scores and existing performance appraisal data. Again, if a relationship appears between test scores and performance, a valid test has been found.

concurrent validity
Validating tests by using current employees as the study group.

Predictive validity is the preferred choice. Its advantage over concurrent validity is that it is demonstrated by using actual job applicants, whereas concurrent validity focuses on current employees. These validation strategies are similar, with the exception of whom they test and the time that elapses between gathering of predictor and criterion information (see Exhibit 7-3). Although the costs associated with each method are drastically different, predictive validation strategies should be used if possible. Concurrent validity, although better than no validity at all, leaves many questions to be answered.[27] Its usefulness has been challenged on the premise that current employees know the jobs already because a learning process has taken place. Thus, similarity may be lessened between the current employee and the applicant.

Validity Analysis

Correlation coefficients used to demonstrate the statistical relationships existing between an individual's test score and his or her job performance are called validity coefficients. The correlation analysis procedure can result in a coefficient ranging from –1 to +1 in magnitude. The closer the validity coefficient is to + 1, the more accurate the test;[28] making the test a good predictor of job performance. For instance, individuals who score higher on the test have a greater probability of succeeding at their jobs than those who score lower. Based on this relationship, this test appears to be valid. When we have a valid test as determined by our correlation analysis, we may then identify the test score that distinguishes between successful and unsuccessful performers (the cut score).

Cut Scores and Their Impact on Hiring

In this discussion, we have referred to test scores and their ability to predict successful job performance. By using our statistical analyses, we generate a scoring point, the cut

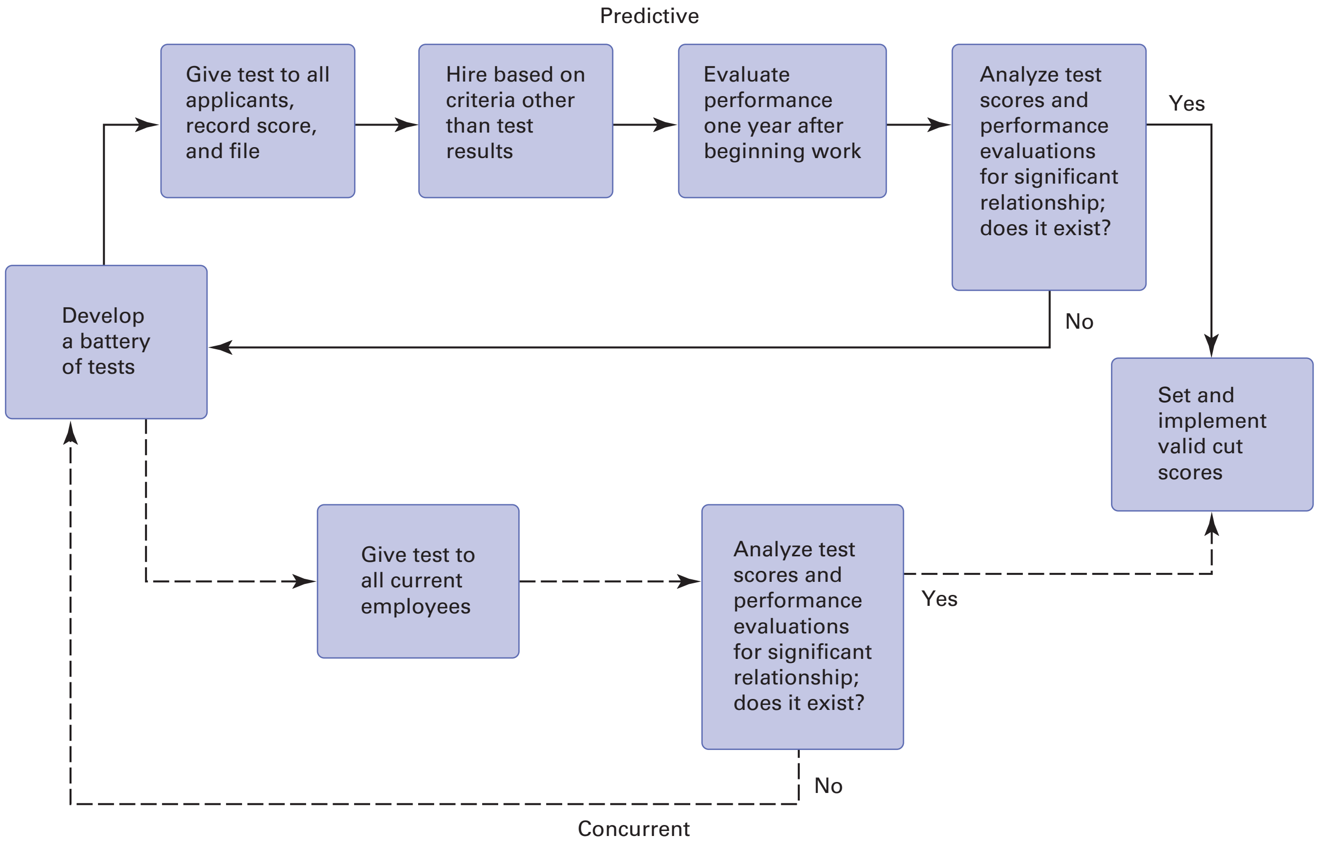

Predictive
Give test to all applicants, record score, and file
Hire based on criteria other than test results
Evaluate performance one year after beginning work
Analyze test scores and performance evaluations for significant relationship; does it exist?
Yes
No
Develop a battery of tests
Set and implement valid cut scores
Give test to all current employees
Analyze test scores and performance evaluations for significant relationship; does it exist?
Yes
No
Concurrent

Exhibit 7-3

Predictive versus Concurrent Validation

HRM professionals might use testing to determine which applicants will perform the job well. Concurrent and predictive validity are two ways to determine if the tests used are good predictors of job performance.

score, below which applicants are rejected.[29] If the availability of qualified applicants changes substantially, the organization may change the cut score. To illustrate, take a look at the graph in Exhibit 7-4, where the original analysis determined that the cut score should be 70. At this cut score, the majority of applicants who scored above 70 have a greater probability of being successful performers on the job, and that the majority scoring below 70, a greater probability of being unsuccessful performers. If we change our cut score, however, the number of applicants in these categories changes. For example, if there are a large number of job seekers qualified for the specific skill, the organization can be selective and hire only the very best candidates. In this situation, the cut score may be raised to 98, rejecting all but 2 candidates (areas A and B in Exhibit 7-5). However, many potentially successful job performers also would be rejected (individuals shown in area C). Here, the organization has become more selective and has put more faith in the test than is reasonable. If out of 100 applicants only 2 were hired, we could say that the selection ratio (the ratio of number hired to the number of applicants) is 2 percent. A 2-percent selection ratio means that the organization is highly particular about who is hired.

Lowering the cut score also has an effect. Using the same diagram, see what happens when the cut score is reduced to 50 as in Exhibit 7-5. By lowering the cut score from 70 to 50, we increase our number of eligible hires who have a greater probability of being successful on the job (area D). At the same time, however, we have included more applicants who could be unsuccessful on the job (area E). This might be necessary when there is a shortage of potential applicants who possess particular skills. For example, in some cities, finding home health aides or other healthcare professionals may be difficult. Even in times of rising unemployment, the supply may be low and demand may be high. In this case, the organization may hire almost all the applicants who appear to have the skills needed (as reflected in a score of 50), puts them on the job, and filters out the unsuccessful employees at a later date. This may not appear effective, but the organization is banking on the addition of individuals in area D of Exhibit 7-5.

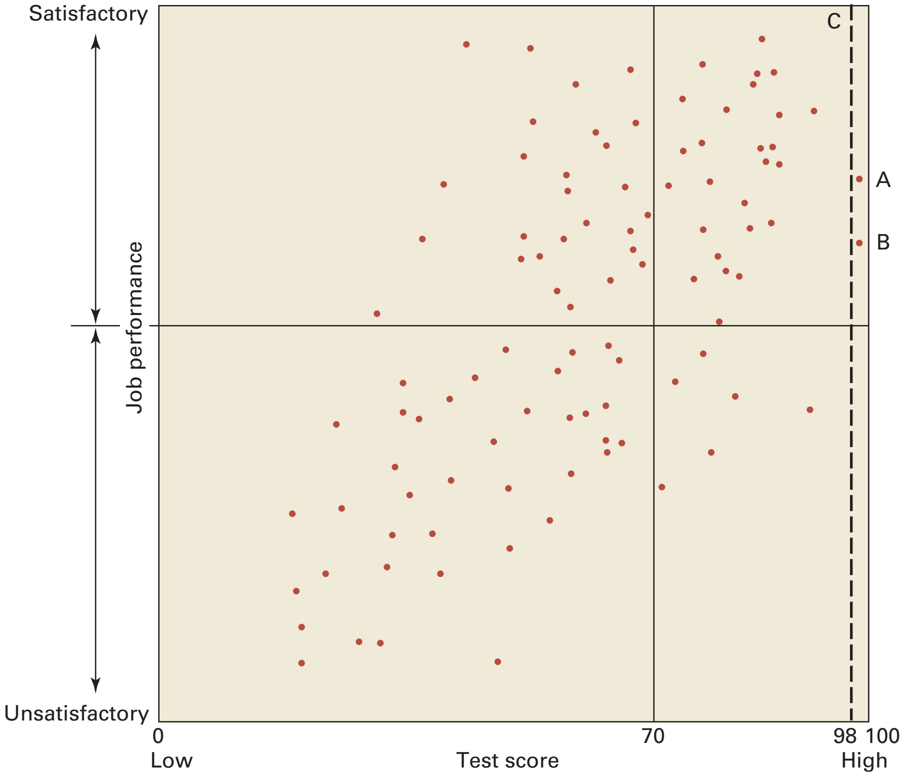


Exhibit 7-4

Validity Correlation Analysis after Cut Score Is Raised

Here is a situation where economic problems raise unemployment and create a surplus of applicants when job openings occur. This "buyer's market" allows HRM to raise cut scores so that all but the most qualified applicants are rejected.

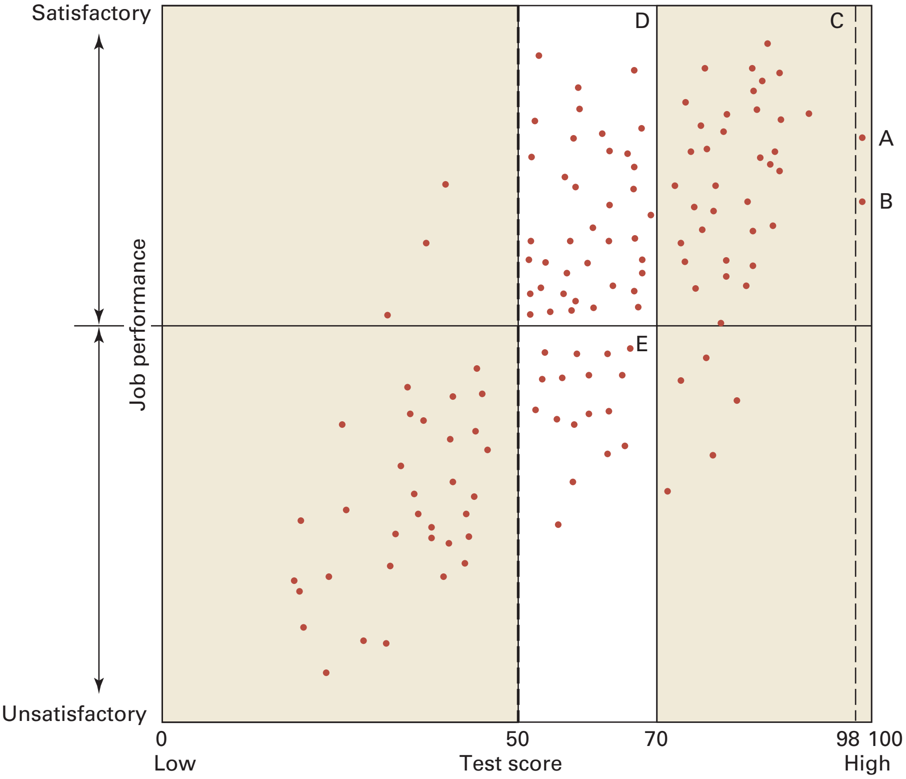


Exhibit 7-5

Validity Correlation Analysis after Cut Score Is Lowered

When unemployment is low or there is a shortage of workers with the necessary skills, HRM may lower cut scores to allow consideration of applicants with lower skill levels.

The Employment Offer

Individuals who perform successfully in the preceding steps are now considered eligible to receive the employment offer. The offer often comes from HR because of the number of administrative issues that need to be processed such as salary forms, maintaining EEO statistics, ensuring a statement exists that asserts that employment is not guaranteed, and so on. The actual hiring decision should be made by the manager in the department where the vacancy exists. This is recommended for two reasons. First, the applicant will be working for this manager, which necessitates a good fit between boss and employee. Second, if the decision is faulty, the hiring manager has no one else to blame.

Will the Candidate Accept the Offer?

Candidates may be interviewing with several different employers at the same time. What can management do at this stage to increase the probability that the individual will accept an offer? Not surprisingly, most job choice studies indicate that an individual's perception of the company's attractiveness is important.[30] People want to work where their expectations are positive and where they believe their goals can be achieved. Candidates will be determining if the recruiting and interview processes were consistent with the culture that was promoted as the employment brand. If the candidate sees that the culture or brand is still a good fit with his or her image, the chances of a successful hire increase.

What about those applicants who did not receive an offer? They should be notified within a reasonable time in a letter or e-mail that is respectful and represents the company culture. The candidate may be a good fit for a position in the future or a potential customer. Treating them respectfully goes a long way to having a positive relationship in the future.

Selection from a Global Perspective

The selection criteria for international assignments are broader in scope than those for domestic selection. In addition to technical expertise and leadership ability, an

CONTEMPORARY CONNECTION

What Were They Thinking?

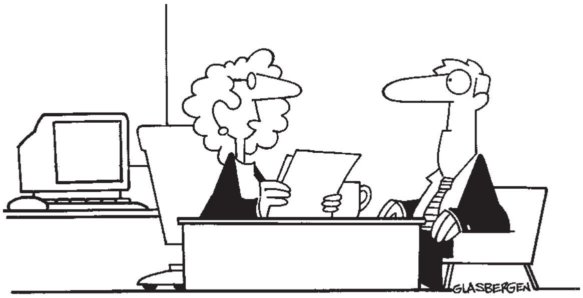
Job seekers make a wide range of mistakes during the interview process. These are a few of the most common reasons applicants were rejected following the interviews based on surveys from Adecco and CareerBuilder:[31]

- Dressed inappropriately
- Answered phone or sent a text
- Late or arrived at the wrong time or date
- Appeared uninterested
- Spoke negatively about current or former employer
- Overly aggressive about job expectations
- Lack of eye contact
- Didn't provide specific answers
- Didn't ask good questions.

© PeopleImages/iStockphoto

international assignment requires greater attention to personality and especially to flexibility in the design. The individual must have an interest in working overseas and a talent for relating well to all types of people. The ability to relate to different cultures and environments, sensitivity to different management styles, and a supportive family are often selection requirements.[32]

American women have been successful in the business world, and it is unacceptable in our culture to discriminate on the basis of gender in employment, but organizations know that some Middle Eastern countries will not grant working papers to American women executives. Opportunities for women are slim in Japan where women hold only 9 percent of senior management positions. Denmark, Germany, Switzerland, and India weren't much better with women only holding 15 percent or less of senior management positions. Better opportunities can be found in Russia, the Philippines, Indonesia, and Latvia, all over 40 percent. By comparison, women in the United States hold 22 percent of senior management jobs.[33]



"Unfortunately, you are overqualified. However, your résumé is full of misspelled words and grammatical errors so that tips the scales back in your favor."

Source: © Randy Glasbergen, www.glasbergen.com

Exhibit 7-6

The Interview

The interviewer's job can be a challenge at times, as illustrated in this comic.

Final Thoughts: Excelling at the Interview

Interviews play a critical role in determining whether you are hired. Until now, all the recruiter has seen is your well-polished cover letter and résumé. No matter how qualified you are for a position, if you perform poorly in the interview, you're not likely to be hired! The following suggestions can help you make your interview experience a successful one.

First, do some homework. Research the employer and build a solid understanding of its history, markets, financial situation, and the industry in which it competes. Also remember that the employer may do some homework on you, too. Make sure you clean up your presence on social media sites and check your privacy settings. You may even consider removing your profile until your job search is successful. Be sure you have an e-mail address that presents a professional image. Recent research shows that applicants with cutesy or inspirational e-mail addresses don't score as well on preemployment assessments of professionalism as applicants with more appropriate addresses. It probably comes as no surprise that applicants with questionable or inappropriate e-mail addresses scored even lower.[34]

Now's your chance. What you do and say in the next 15–30 minutes will have a tremendous impact on whether you get the job. The more preparation you do, the more you anticipate interview question topics, the more successful you will be.

The night before the interview, get a good night's rest. As you prepare for the interview, keep in mind that your appearance will make your first impression. Dress appropriately. Incorrect attire can result in a negative impression. Arrive early, about 15 minutes ahead of your scheduled interview. It's better to wait a bit than end up being late because of traffic or parking problems. Arriving early also gives you an opportunity to survey the work environment and gather clues about the organization. Pay attention to the waiting room layout, the formality of the receptionist, and anything else that can give you insights into the organization. As you meet the interviewer, give him or her a firm handshake. Make eye contact and maintain it throughout the interview. Remember, let your body language augment the impression you want an interviewer to pick up. Sit erect and maintain good posture. Although you will most likely be nervous, try your best to relax. Interviewers know that you'll be anxious, and a good one will try to put you at ease. Being prepared for an interview can also help build your confidence and reduce the nervousness. You can start building that confidence by reviewing a set of questions most frequently asked by interviewers, which are usually available at your college career center. Develop rough responses to

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these questions beforehand. This will lessen the likelihood that you'll be asked a question that catches you off guard. Our best advice, however, is to be yourself. Don't go into an interview with a prepared text and recite it from memory. Experienced interviewers will see through this overpreparedness and likely downgrade their evaluation.

If possible, go through several practice interviews. Universities often have career days on campus when recruiters from companies visit to interview students. Take advantage of them. Even if a job doesn't fit what you want, the practice will help you become more skilled at dealing with interviews. You can also practice with family, friends, career counselors, student groups, or your faculty adviser.

When the interview ends, thank the interviewer for his or her time and for the opportunity to talk about your qualifications, but don't think that selling yourself stops there. Send an immediate thank-you letter to the recruiter for taking the time to interview you and giving you the opportunity to discuss your job candidacy. Depending on the company culture, it may be appropriate to send the note via e-mail, but many employers including high-tech companies prefer handwritten notes sent via U.S. mail. This little act of courtesy has a positive effect—use it to your advantage.

Summary

(This summary relates to the Learning Outcomes identified on page 148.) After reading this chapter, you should be able to

1. **Explain the purpose of screening applicants and how initial screening is conducted.** The screening process determines which applicants meet the minimum qualifications based on the job specifications and should continue through the selection process. Screening may be done with HRIS software, phone interviews, or online video screening.
2. **Explain how application forms are used and the relevant legal issues.** The application form provides information that can be used to screen candidates. Employers need to avoid asking questions that may provide information leading to discriminatory hiring decisions. Applications should include statements that guarantee the truthfulness of the information and employment at will if applicable.
3. **Outline the types and uses of preemployment testing.** Performance simulation tests require the applicant to engage in specific behaviors demonstrated to be job related. Work sampling and assessment centers are recognized as highly predictive of performance.
4. **Explain several different interview formats and what interviewers need to know to conduct effective interviews.** Interviews may be conducted by one person, a panel, or a team. They may also be conducted online. Formats include structured or directive interviews that follow a set plan for all candidates, unstructured or nondirective interviews that are more free-flowing conversations, behavioral interviews that ask candidates how they would handle specific situations, and stress interviews that create an uncomfortable atmosphere to determine how the candidate handles stress. Interviewers need to understand the job, prepare questions, review the candidate's qualifications, ask questions, listen, take notes, close the interview, and write an evaluation of the interview.
5. **Discuss the perceptual errors common in the interview process and ways to prevent them.** Applicants attempt to impress the interviewer with dress and a personal connection. Interviewers can be biased by positive or negative information received prior to the interview. Candidates may have unrealistic impressions of the position. These errors can be avoided if the interviewer focuses on important job criteria, structured questions are used, several people are involved, and realistic job previews are provided.
6. **Explain the purpose and legal issues involved in conducting background investigations.** Background investigations verify information on the application and resume and reveal past behavior that can be used to predict acceptability as an employee. Effective background checks can prevent hiring mistakes that lead to negli-

gent hiring lawsuits. Qualified privilege protects employers who provide information regarding former employees. Employment physicals should be given after a conditional job offer has been made to comply with the American with Disabilities Act.

7. **Explain the purpose of the three types of validity.** The three validation strategies are content, construct, and criterion-related validity. They determine if a test represents actual job content and if the results are reliable indicators of how well the candidate will do on the job. They also may be required to prove that testing does not discriminate.
8. **Explain factors relevant to employment offers and global selection.** Employment offers should come from HRM although the hiring decision should be made by managers. The applicant's impression of the company culture and the way the hiring process was administered affects the decision whether to accept the offer. Candidate personality and flexibility are important factors related to global selection.
9. **Outline how to personally excel in the interview process.** Research the employer, present a professional image, arrive early, and prepare by participating in practice interviews and developing a list of questions to ask. Thank the interviewer when the interview is complete and send a thank you note.

Key Terms

application form
assessment center
background investigation
behavioral interview
comprehensive interview
concurrent validity
conditional job offer
construct validity
content validity
criterion-related validity
cut score
impression management
initial screening
interviewer bias
medical/physical examination
online interview
predictive validity
qualified privilege
realistic job preview (RJP)
reliability
stress interview
structured interview
unstructured interview
validity
weighted application form
work sampling and performance simulation tests

HRM Workshop

Reviewing Important Concepts

1. Outline the steps in the selection process and explain which steps you believe are most important. (LO 1, 2, 3, 7.4)
2. Explain guidelines for developing effective interview questions that respect the legal rights of the applicant. (LO 4)
3. Explain the advantages and disadvantages of searching social media as a screening tool for applicants. (LO 6)
4. What are the advantages of conducting background investigations on applicants and what do employers need to consider when conducting the investigations? (LO 6)
5. What mistakes could employers make that would influence a qualified candidate to turn down a job offer? (LO 4, 5, 8)
6. How do the types of validity differ? Explain their use in evaluating testing and in preventing discrimination. (LO 7)

Evaluating Alternatives

7. What do you think of realistic job previews? Would you be more likely to choose a position where recruiters emphasized only the positive aspects of the job? (LO 5)
8. "All former employers will tell me anymore is the dates of employment. Period. Calling them is a waste of time." Do you agree or disagree with this statement? Explain. (LO 6)
9. "Untrained interviewers can make mistakes that are very costly to the organization." Discuss errors in perception and selection that interviewers can make and how to avoid them. (LO 4)

Research and Communication Skills

10. Using the job description for the benefits manager (Chapter 5, Exhibit 5-7) develop a list of interview questions you'd ask of job candidates. In groups of two or three, compare your interview questions and reach consensus on the questions you'd ask. Based on those questions, develop a list of evaluation metrics (how you'll evaluate candidate responses). Stage a mock interview with one group member playing the role of the interviewer, one the job candidate and the other the observer. Video the interview if possible. Ask the candidate your questions and evaluate the information obtained. The observer's job is to critique the interview. When you are finished, change roles and redo the mock interview. Present a summary of your questions and interview experience in a two- to-three page paper or video. (LO 4)
11. Develop a response to the following statement: "The social media profile of an applicant is not a valid selection device. Accordingly, it should not be used in determining whether or not to hire a job candidate." Present both sides of the argument with supporting data in a five- to ten-minute presentation with three to five presentation slides. Conclude your presentation by defending and supporting one of the two arguments you've presented. (LO 6)
12. Visit your college's career center and obtain a copy of their guide to job interviews. Obtain the same type of guide from another college's career center online resources. Compare the two. If your college does not have a job interview guide, create a pamphlet for them. (LO 9)

Making a Difference

SERVICE LEARNING PROJECTS

The selection process covers a broad range of skills and activities for both the employer and job seeker. Your service activity can focus on either group.

- Develop a presentation for middle school or high school students on getting a great summer or part-time job with an effective résumé and good interview skills.
- Contact local shelters about helping clients complete online job applications or teaching job interview skills.
- Help local nonprofit organizations with their screening process for volunteers.

As you put your service learning experience together, keep a journal of your activities, the time you spend, contact information for people you work with, and your thoughts about the process. When you're finished, make a presentation to your class about the experience and what you learned. What concepts from Chapter 7 were you able to apply?

Case Application 7-A

WESTERN MOTORS OVERHAULS THE INTERVIEW PROCESS

Western Motors, a large automotive dealership was in danger of losing their coveted Premiere Service award based on customer ratings. Loss of the award would affect many aspects of the dealership including the loss of promotional incentives from the manufacturer and Western's ability to get high-demand models for customers. Retaining the rating was crucial to continued success in a competitive environment.

Nearly every area of the dealership suffered a slow deterioration in ratings over the last 2 years, but the most troublesome came from the service department. Greg Miller, Service Manager, has been with Western for 10 years and prides himself on having a pleasant, cooperative team atmosphere. The ratings drop was most significant in his department where keeping fully staffed was becoming more and more difficult. "Good help is so hard to find," said Greg as he sat in the office of Kara, the HR director for the dealership. "I lost another one today and I might have to let one go next week." Kara had worked with Greg on a new recruiting strategy lately, but the increase in qualified applicants wasn't keeping up with the need for new service techs and customer service representatives.

Greg is an extroverted and gregarious man who does his own interviewing and prides himself on being a good judge of character. "Hire for attitude, train for skill, that's my philosophy," stated Greg. Greg went on to explain that Justin, hired a little over a year ago, was an excellent worker at first, but his attitude and performance deteriorated within a few months. "He's just so negative and uncooperative. His bad attitude has caused friction in the service department. I tried giving him pep talks, but today he just started swearing at me and quit." When asked about the one that may need to be fired next week, Greg explained that he had made several expensive mistakes recently. "I just don't think he can handle the workload. I feel awful. He's a heck of a guy. We hit it off right away." Kara pulled the files for the two workers, and discovered that there were no notes about checked references on either employee. Greg explained "They both gave fantastic interviews. They were hands down the best candidates. I hired both on the spot. Justin and I talked for almost two hours about all sorts of things. I was so impressed with his work at his church and all the race cars he's built. He even brought pictures of them."

Kara pressed Greg for the types of questions he asked both men in the interview. Greg explained that he had no idea because he doesn't have any type of list. He went on to say, "You know how short staffed I am. Now let's get some new applicants in here for interviews, fast!" Kara held up her hands and replied, "We need to take a break here. It looks like our hiring process needs an overhaul."

Questions:

1. Evaluate Greg's "hire for attitude, train for skill" approach to hiring. (LO 1, 4, 5)
2. How could preemployment testing improve the hiring process for the service tech position? What type of validity would be the best predictor of job success? (LO 3, 7)

3. What type of interview does Greg seem to use? How can his interview process improve? (LO 4, 5)
4. What types of background checks would you recommend? (LO 6)
5. **Research:** What mistakes were made in the hiring process by Greg and Kara? Research common hiring mistakes and how to avoid or fix them. (LO 1, 4, 5, 6, 7)

Case Application 7-B BEAUTY IS ONLY SKIN DEEP

Things were getting ugly in the cosmetic departments at Bon-Ton Department stores and something had to be done, fast. Beauty Advisors (also called cosmetic associates) in their 277 stores were leaving the company at much higher rates than salespeople in other parts of the stores during their first few months on the job.[35] It didn't make sense. Beauty advisors received more training and had higher income potential than most other selling associates in the Bon-Ton chain, yet turnover was much higher than all other selling positions in the store. Bon-Ton already had an assessment in place that was supposed to determine if an applicant was a good fit, but it clearly wasn't working for the Beauty Advisor position.

Bon-Ton HR started asking some tough questions about what it takes to be successful in a beauty sales position. Since cosmetic sales require getting up close and personal with wwcustomers, much more so than other sales positions, they wondered if a Beauty Advisor needed to have different personality traits than someone selling clothing or bedding. Since the Bureau of Labor Statistics projected that demand for sales workers would grow at a faster rate than other professions, Bon-Ton couldn't afford to be constantly replacing sales workers, especially since they receive 30 hours of training in their first 60 days of employment. It was both time consuming and expensive.

Consultants interviewed hundreds of high-performing Beauty Advisors and managers at Bon-Ton to try and determine the traits essential for job success. The results were surprising. Prior to the survey, managers assumed that friendly, customer-service oriented people who loved fashion and beauty were good candidates. Those factors were important, but cognitive and problem-solving ability were critical. Successful Beauty Advisors, they found, are intelligent problem solvers as much as they are sales people, as they help customers with very personal skincare, makeup, and fragrance needs.[36]

As a result, ten questions were developed for store managers to ask when interviewing applicants. A new assessment was also developed and validated for adverse impact and other discriminatory factors. All applicants for Beauty Advisor associate positions are now required to take the 80-question assessment test—it takes around 20 minutes to complete—and the results have been encouraging. Beauty Advisors now remain with Bon-Ton stores 12 percent longer than they did before the assessment test was implemented and turnover is the lowest of any sales group in the store. New associates also achieve 2.1 percent more total sales per hour than associates hired before the assessment was developed.[37]

Questions:

1. What attributes should be included in the Bon-Ton assessment? Explain how you would structure an interview to determine if a candidate possesses those attributes. (LO 3, 7)
2. Explain whether impression management and interviewer bias would be more of a concern when hiring beauty advisors than when hiring for other sales positions. (LO 5)
3. What type of validity is indicated by the findings that Beauty Advisors now remain in their jobs 12 percent longer and sell 2.1 percent more than candidates hired before the new assessment? Explain your choice. (LO 7)
4. **Research:** Are Bon-Ton and other retailers making efforts to recruit and hire candidates with that cognitive and problem-solving ability? Search videos, realistic job previews, job postings, and articles for evidence and summarize your findings. Include your sources in your answer. (LO 1, 2, 3)

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Onboarding, Training, and Developing Employees

8

Cascade Engineering founder, Fred Keller visited a local mission and recruited unemployed people to work at Cascade Engineering, a manufacturing plant that makes automotive parts, garbage cans, wind turbines, and other environmentally friendly products in Grand Rapids, MI. By the end of the second week, Keller was surprised to discover that none of the workers recruited from the mission were still on the job. After trying several other unsuccessful ways to recruit and retain the long-term unemployed, Keller and his executives did some research to try and figure out why these welfare recipients weren't able to make the transition from the ranks of the unemployed to successful employment. They discovered that people from low-income backgrounds encountered cultural differences that made it difficult for them to move into the middle class. Middle-class rules of behavior and etiquette that were necessary for success on the job were a mystery to the new employees. For example, many didn't understand that it is necessary to call an employer when they are going to be late or absent. They may have additional challenges that interfere with work attendance, such as a lack of reliable transportation or childcare.

Cascade found an answer to the retention problems for "welfare-to-work" employees by revamping the onboarding process for new employees. Orientation was moved to the first days of employment. Trained company personnel discussed the company's culture, diversity awareness, the "rules" of middle-class culture, work ethics, and the range of services available to new hires. An onsite caseworker was loaned from the state of Michigan to assist employees. Cascade also added inexpensive benefits that made the transition to the workforce easier such as adding a city bus stop near the factory, a free 90-day bus pass, small emergency loans, money management classes, and adding sick children as an acceptable reason to miss work.

The changes worked. Retention rates of the welfare-to-career workers soared to 95 percent. Cascade has seen benefits too, with an estimated 5-year savings total of over $500,000 due to lower contracting costs, wage subsidies, and tax credits. The government saved over $900,000 in lower welfare costs and higher tax receipts.[1]

Looking Ahead

Is it the responsibility of employers to teach the basics of workplace culture to unskilled workers? Would Mr. Keller's formula work in other communities or work environments?

LEARNING OUTCOMES

After reading this chapter, you will be able to:

1. Explain the concept of onboarding and socialization.
2. Identify the three stages of employees' progress through as they learn organizational culture.
3. Identify the purpose and key personnel involved in new employee orientation.
4. Explain the purpose and essential contents of an employee handbook.
5. Explain the ADDIE model of training design.
6. Outline a variety of employee training methods.
7. Describe the methods and criteria involved in evaluating training programs.
8. Explain the purpose of employee development and methods used.
9. Discuss the term *organizational development* and the role of the change agent.
10. Explain the term *learning organization*.
11. Explain issues critical to international training and development.

Introduction

When we talk about onboarding, socializing, orienting, training, and developing employees, we refer to a process of helping new employees adapt to their organizations and work responsibilities. These programs are designed to help employees understand what working is about in the organization and help them become fully productive as soon as possible. Research shows that when the socialization or onboarding process is done correctly, the results include higher employee job satisfaction, lower turnover, better performance, and lowered stress for new employees.[2]

In this chapter, we'll explore the arena of socializing, orienting, training, and developing employees. We'll first look at the socialization process and what organizations should do when employees first join them. We'll then explore training and development efforts designed to ensure a supply of highly skilled employees.

Onboarding

Onboarding or socialization, frequently called **socialization,** refers to the process of helping employees adapt to a new job and new organizational culture. It includes new employee orientation, but is a more comprehensive approach aimed at helping new employees make a connection right away in order to reduce costly turnover. Half of all hourly workers leave new jobs within the first 120 days.[3] Organizations with effective onboarding procedures not only reduce turnover, they also increase new employee productivity, engagement, and success. Consider this tale of two employees and their first day on the job.

onboarding or socialization
A process of adaptation that takes place as individuals attempt to learn the values and norms of work roles.

> Loneliness and a feeling of isolation are not unusual for new employees—they need special attention to put them at ease.

Employee A

- Arrived 10 minutes early and was introduced to her supervisor.
- Supervisor escorted her to HR where she filled out forms and watched a video about the company.
- Spent the rest of the morning with her supervisor learning about her job.
- Went to lunch.
- Returned to HR after lunch for a tour of the company and orientation with the HR staff.
- Went back to her supervisor for on-the-job training until the end of the work day.
- Returned home, exhausted.

Employee B

- Shortly after accepting the job offer, received a small box via UPS containing a company coffee mug and an invitation to meet with HR and other new employees for a “Coffee Break” a few days before his first day. At the company function, HR facilitated a few simple games that included learning the company mission statement. Prizes such as company t-shirts, flash drives, and gift cards were distributed. A tech person was available to assist in setting up e-mail accounts and the company app for iPads and laptops. Company subsidized bus passes were sold to people wishing to use public transit to work.

- Received an e-mail a couple of days before he started work that included his orientation schedule and a map for parking.
- Arrived the first day to an HR orientation session with many of the people he met at the Coffee Break.
- Attended new employee orientation which included videos, paperwork, and a tour. The company CEO dropped by, spoke briefly, and handed out his business cards, encouraging them to e-mail him any time.
- Lunch was provided and supervisors of all new employees joined them.
- Spent the afternoon in training with his new supervisor.
- Returned to HR for cookies and iced tea at the end of the day. Four employees who had been with the company about a year presented a panel discussion explaining that they had worked with mentors and met with HR several times during their first year. New employees had an opportunity to ask questions and fill out a survey on the effectiveness of the orientation.
- Returned home, exhausted.

Employee A’s employer didn’t do anything wrong, in fact, their onboarding process and orientation is superior to most, but at the end of the first day, how do you think the perceptions of employee A and B differ? Which one has a better understanding of the company culture? Who feels more appreciated and less anxious about the challenges ahead? Who is most excited to return tomorrow? Who feels like this may be a great company to establish a career and encourage others to apply?

HRM’s Role in the Onboarding Process

As soon as job offers are made and accepted, HRM should begin the process of helping new employees assimilate into the organization. New employees have many concerns and questions and HRM needs to initiate communication with the new employee as quickly as possible. Most organizations prepare a package for new employees. This package generally focuses on important decisions a new employee must make such as health insurance plans, setting up direct deposit of paychecks, and tax-withholding information. More comprehensive onboarding plans also communicate the organization’s culture and extend the process of orientation and socialization beyond the first few days on the job.

Onboarding and Socialization

Through the recruiting process, the new hire developed an impression of the employer’s employment brand. As soon as the employment offer is accepted, the new hire starts to evaluate whether the reality of the new job matches the brand and claims of the recruiter. Socialization is the part of the onboarding process that assists new employees to become familiar with the organizational culture, or what it’s really like to be part of the organization. Several assumptions underlie the process of socialization: socialization strongly influences employee performance and organizational stability, new members suffer from anxiety, socialization needs to be consistent with culture and individuals adjust to new situations in remarkably similar ways. Let’s look a little closer at each of these assumptions.[5]

Socialization Strongly Influences Employee Performance Your work performance depends to a considerable degree on knowing what you should or should not do. Understanding the organizational culture promotes positive work behaviors and a good fit with coworkers.

Exhibit 8-1

Best Practices for Onboarding

What should be done to establish an effective onboarding program?

Best Practices for Onboarding

Companies recognized for having effective onboarding programs have several things in common. Put yourself in the position of a new employee. What do you think would give you the tools you need to succeed? Here are a few principles for an effective onboarding program:[4]

- Have a written onboarding plan.
- Involve stakeholders at all levels in the planning process.
- Use a formal orientation program.
- Make the first day on the job Aspecial.
- Make sure the process explains and exhibits the organizational culture and organizational mission.
- Clearly explain new employee expectations and responsibilities.
- Include opportunities for the new employee to participate.
- Monitor the program for results.
- Use technology to facilitate the process.
- Check with the employee at regular intervals: 30, 60, and 90 days.
- Implement the program consistently.

Is there anything else you would add?

Organizational Stability Also Increases through Socialization Mission and culture transfer more smoothly as longtime employees help teach and reinforce the culture to new employees. Loyalty and commitment to the organization should be easier to maintain because the organization's philosophy and objectives appear consistent over time.

New Members Suffer from Anxiety A new job, new supervisor, new coworkers, a new work location, and new rules and regulations often create stress for new hires. Loneliness and a feeling of isolation are not unusual. Effective onboarding and socialization can reduce the stress and help the new employee channel that energy into a productive start.

Socialization Needs to Be Consistent with Culture Socialization is influenced by both subtle and not so subtle statements and behaviors offered by colleagues, management, employees, clients, and others. Employers need to make sure that the new employee's experience is consistent with the culture or "employment brand" that was promoted in the recruiting process.

Individuals Adjust to New Situations in Remarkably Similar Ways New members are usually anxious and want to reduce that anxiety quickly. Information obtained during recruitment and selection is always incomplete and can be distorted. Onboarding, socialization, orientation, and training must not only provide complete information necessary for success but also reinforce it often.

Learning Culture through Socialization

Organizational cultures are the values and behaviors that make it unique, much the same way people have personalities. **Organizational culture** is a system of shared meaning. Just as countries, ethnic groups, and religions have cultures that dictate how each member should act toward fellow members and outsiders, organizations have cultures that govern how their members should behave. An employee who has been properly socialized to the organization's culture understands how work is done, what matters, and which work-related behaviors and perspectives are or are not acceptable and desirable. In most cases, this involves input from many individuals.

organization culture
The system of sharing meaning within the organization that determines how employees act.

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Effective onboarding reduces the anxiety of new employees and increases engagement, loyalty, and commitment.

Socializing new employees with a new organizational culture can be thought of as a three-stage process made up of three stages: pre-arrival, encounter, and metamorphosis.[6] These three stages ultimately affect new employees' productivity on the job, their commitment to the organization's goals, and their decision to remain with the organization.[7]

Pre-arrival

The **pre-arrival stage** recognizes that each individual arrives with a set of expectations about organizational values, attitudes, and culture. Effective recruiting and selection help ensure that the employee chosen will fit the organization's culture and mission. Employee B's employer understood that it is important to keep the new hire interested by initiating contact as soon as the job offer is accepted. Ways to maintain contact and begin the onboarding process can include mailing small gifts such as shirts or backpacks emblazoned with the company logo, but it doesn't take a large employer with a big budget to start the onboarding process effectively. For example, inviting the employee for lunch, a tour of the new employer's facilities with other new hires, and/or establishing contact with a mentor can answer questions and begin to teach the new employee about the company culture.

pre-arrival stage
This socialization process stage recognizes that individuals arrive in an organization with a set of organizational values, attitudes, and expectations.

encounter stage
The socialization stage where individuals confront the possible differences between their organizational expectations and reality.

Encounter

During the **encounter stage**, new hires may compare expectations about the job, coworkers, supervisors, and the organization with the reality of working there. Hopefully, reality fulfills those expectations. If expectations and reality differ, the socialization process may explain the importance of the culture in accomplishing organizational objectives and core values.[8] Socialization, however, cannot solve all expectation differences. At the extreme, some new members may become totally disillusioned with the actualities of their jobs and resign. Proper selection, including realistic job previews and education about the company mission and culture, can significantly reduce this.

At Zappos, the online retailer recognized for exceptional customer service, the culture is based on the 4-week New Hire training foundation. Over a period of 10 days, up to an hour a day is spent teaching and reinforcing Zappos's Core Values. And all new hires spend 2 weeks in customer service training with call center employees taking customer calls. Throughout the 4 weeks of orientation and training, Zappos offers new employees $2,000 to quit if they feel they aren't a good fit with the company's culture. Zappos's founder and CEO, Tony Hsieh, says, "We want to make sure that employees are here for more than just a paycheck. We want employees that believe in our long-term vision and want to be part of our culture."[9]

Metamorphosis

metamorphosis stage
The socialization stage during which the new employee must work out inconsistencies discovered during the encounter stage.

Finally, the new members must work out any problems discovered during the encounter stage. This may mean going through changes, called the **metamorphosis stage**, meaning the point when new members become comfortable with the organization and their work teams. They internalize coworker and organization norms, and feel accepted by their peers as trusted and valued individuals. They will feel competent to complete their jobs successfully. They have an understanding of what criteria will be used to measure and appraise their work. Consequently, successful metamorphosis should have a positive effect on new employees' productivity, the employee's commitment to the organization, and should reduce the likelihood that the employee will leave the organization any time soon.[10]

TIPS FOR SUCCESS

Orientation Checklist

The information that needs to be covered in new employee orientation will vary widely depending on the size and type of organization. Once an organization determines what should be covered, a checklist should be created to make sure that regardless of who administers the orientation, all new employees will have access to information they need to get a good start. This checklist covers some of the basics:[11]

Introduction to the Organization

- Organizational mission
- Culture
- Organizational chart
- Tour of the workplace

HR Paperwork Requirements

- W-4 form
- I-9 form
- Personal information
- Pay
- Enroll in benefits
- Employee handbook and policies: nondiscrimination, anti-harassment, phone, e-mail and online use, dress code, employment-at-will, leaves, and discipline
- Security and access information

Working

- Meet supervisor and coworkers
- Discuss work standards and expectations
- Tools and supplies: business cards, e-mail accounts, keys, and access cards
- Etiquette issues: answering phones, personal items in the workplace
- Where to park, eat lunch, keep coats and purses
- Who and when to call in case of absence

If HRM recognizes that certain assumptions hold for new employees entering an organization and that they typically follow a three-staged socialization process, they can develop a program to begin helping these employees adapt to the organization.

New-Employee Orientation

New-employee **orientation** is the part of the onboarding process that introduces the new employee to the organization and to the individuals in his or her work unit. It expands on information received during the recruitment and selection stages and helps reduce the initial anxiety employees usually feel when beginning a new job. For example, an orientation

orientation
Activities that introduce new employees to the organization and their work units.

REAL HR ENCOUNTERS

HR's Role in Creating and Sustaining Culture

Janel Cerwick: Human Resources Business Partner, CIPCO, A Touchstone Energy Cooperative

An organization's culture develops, with or without a conscious effort on the part of its leaders. Changing unwanted aspects of a culture such as top-down decision making or limited communication is difficult, and imbedding new cultural attributes such as participative decision making and open communication takes time and persistence. Leaders of organizations, who fail to intentionally develop and continually reinforce the desired culture, run the risk of a resulting cultural environment that undermines the day-to-day performance and financial success of the organization.

It is a key responsibility of HRM to assume ownership, along with the organization's leaders, to define the desired cultural elements such as how decisions are made at all levels of the organization, how employees will work with and communicate with one another, and how employee performance and associated rewards will be managed. All business and HR processes and policies must then be aligned to reinforce the desired attributes.

Creating and maintaining a strong and healthy culture is difficult to attain and sustain and is easily lost without constant diligence on the part of HRM and the organization's leaders. Missteps in business decisions, communications, policies, and programs lead to employee skepticism, morale issues, and ultimately increased turnover.

Zappos.com
POWERED by SERVICE

William Widmer/Redux Pictures

Zappos.com offers new employees $2,000 to quit any time during the 4-week orientation program if they feel they are not a good fit with Zappos's unique culture. Less than 1 percent of new hires have ever accepted the offer.

program should familiarize the new member with the organization's objectives, history, philosophy, procedures, and rules; communicate relevant HRM policies such as work hours, pay procedures, overtime requirements, and company benefits; review the specific duties and responsibilities of the new member's job; provide a tour of the organization's physical facilities; and introduce the employee to his or her manager and coworkers.[12]

Who is responsible for orienting the new employee? This can be done by the new employee's supervisor, by the people in HR, through computer-based programs, or by some combination of methods. In many medium-sized and most large organizations, HRM takes charge of explaining such matters as overall organizational policies and employee benefits. In other medium-sized and most small firms, new employees will receive their entire orientation from their supervisor or be exposed to an orientation program online via the HRIS system. If orientation becomes the responsibility of the supervisor, there should be some training for that supervisor to ensure that the new employee has a thorough orientation that goes beyond where to park and when payday is. Remember, even small organizations need to understand the benefits of effective onboarding.

The CEO's Role in Orientation

Many senior managers have become highly visible in their organizations, meeting and greeting employees and listening to employee concerns. For example, Tony Hsieh of Zappos.com has a cubicle just like other employees at Zappos's Las Vegas headquarters, allowing him to stay closer to employees and better understand their suggestions and concerns. Involvement of the CEO or upper management in welcoming new employees aboard and talk to them about what a good job choice they made can reduce anxiety and provide inspiration and motivation.

When a CEO is present, the company shows that it truly cares for its employees. Employee-satisfaction concepts are sometimes thrown around an organization to such an extent that they become nothing more than lip service to the idea.[13] But a senior company official's presence validates that the company really is concerned—the CEO's commitment to making the first day special is evidenced by his or her presence. When scheduling conflicts arise, some companies use previously prepared videos or other electronic means of carrying the same message.

It's All in Here: The Employee Handbook

The first few days on a new job are packed with learning skills, meeting coworkers, and becoming familiar with the organization's policies. It's no wonder that new employees sometimes fail to absorb all of the important information. Stressful situations aren't always the best place for listening and learning, and HRM realizes that although new employees may appear to absorb a lot, there needs to be additional resources when questions arise. The **employee handbook** fulfills this need.

employee handbook
A booklet describing important aspects of employment an employee needs to know.

Why Use an Employee Handbook?

An employee handbook, when developed properly, serves both employees and the employer. The handbook serves to communicate policies and procedures to all employees and ensure that any HRM policy will be fair, equitable, and consistently applied.

"This handbook is not a contract, expressed or implied, guaranteeing employment for any specific duration. Although [the company] hopes that your employment relationship with us will be long term, either you or the company may terminate this relationship at any time, for any reason, with or without cause or notice."

Exhibit 8-2

A Sample Employee-Handbook Disclaimer

This excerpt from an employee handbook makes it clear that employment is not a permanent relationship.

A well-designed handbook gives employees a central source for such useful information as what the company is about, including its mission, history, policies, employee benefits, organizational culture, work rules, discipline procedures, the appeals process and policies on EEO, harassment, drug abuse, social media use, and electronic communications.

There are a few things that the handbook should NOT contain. For example, telling an employee that as long as her performance is satisfactory, she will have a job until retirement could be interpreted as an implied employment contract. Over the years, the courts have ruled that various statements made in employee handbooks may be binding on the company, eliminating the employment-at-will relationship and preventing the employer from firing employees without good cause. To prevent this from occurring, many legal advocates and HRM researchers recommend a careful choice of words in the handbook and a disclaimer. We have reproduced a disclaimer from one business in Exhibit 8-2.

It is important to note that an employee handbook is of little use if employees don't read it. Handbooks that are wordy, poorly organized, unclear, or contain unnecessary information will discourage employees from reading them. HRM should frequently monitor how useful employees find the employee handbook information. Modifications and updates need to be made and communicated whenever necessary. Employers are finding that putting the employee handbook on the company's HRIS or website is an effective way of making the materials available to employees and allows easy and quick revision.[14]

DIVERSITY TOPICS

Training, Development, and EEO

Training is another area of HR that must be proactive in providing equal opportunities. Remember that our definition of adverse impact includes any HRM activity that adversely affects protected group members in hiring, firing, and promoting. Let's take a brief look at how training and development can avoid creating an adverse impact.

Training programs may be required for promotions, job bidding (especially in unionized jobs), or salary increases. Regarding any of these, the organization must ensure that training selection criteria relates to the job and equal training opportunities must exist for all employees. Failure at something as simple as informing all employees of the schedule of training programs could raise suspicions regarding how fair the training programs are. Organizations should also pay close attention to training completion rates. If more members of protected groups fail to pass training programs than majority group members, this might indicate dissimilarities in the training offered. Organizations should monitor these activities and perform periodic audits to ensure full compliance with EEO regulations.

Employee development methods have come into question as well. An estimated 70 percent of companies don't have a clear strategy for employee development aimed at developing female leaders for the organization. Hurdles women face include lack of an executive sponsor or mentor, insufficient experience, and difficulty finding work–life balance. In addition to leadership development programs, flexible work arrangements, coaching, mentoring, diversity sourcing, and recruiting are identified as effective employee development methods for female leaders.[15] The lack of programs and strategies for developing women is particularly confusing when paired with the fact that an estimated 70 percent of HRM professionals are women.[16]

Your reaction:

Why hasn't there been more success in developing programs for women and minorities? Are these programs something you would look for in a potential employer?

Designing Employee Training

employee training
Present-oriented training that focuses on individuals' current jobs.

Employee training is a learning experience that teaches new skills, knowledge, attitudes, and behaviors necessary for successful job performance. Training focuses on enhancing those specific skills and abilities needed to perform currently held positions. For example, suppose you enter the job market during your senior year of college, pursuing a job as a marketing representative. Despite your degree in marketing, you will need some training to learn the company's policies and practices, product information, and other pertinent selling practices. This is job-specific training, designed to make you more effective in your current job.

As jobs and job descriptions are designed to fulfill the organizational goals and strategy, training must be designed to provide employees with the skills and attitudes necessary for success in those jobs. For example, a technology company that depends on innovative and creative employees must recruit, hire, and train individuals capable of successfully meeting the challenge of those jobs. One model of instructional design used to focus training efforts on strategy is the **ADDIE model**, which stands for Analyze, Design, Develop, Implement, and Evaluate.[17] Let's take a look at each step individually.

ADDIE model
A model of instructional design that stands for analyze, design, develop, implement, and evaluate.

Analyze

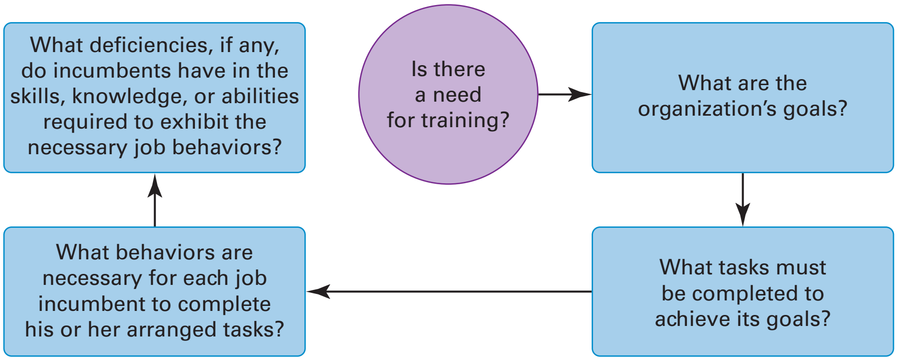
Once jobs have been designed to align with the organizational strategy, HRM needs to determine how effectively employees in those jobs are accomplishing the necessary tasks. If deficiencies are discovered, HRM may conduct a task analysis on the job itself to determine if the tasks are appropriate to complete the job successfully. A person analysis may also be conducted to determine which employees need additional training. The questions in Exhibit 8-3 suggest the kinds of signals that can warn a manager when training may be necessary. Decreased production, lower quality, more accidents, and higher scrap or rejection rates are indicators that worker skills need to be fine-tuned. Changes imposed on employees as a result of job redesign or improved technology also require training.

Design

The results of the analysis are used to plan training that corrects deficiencies. Effective training design establishes training objectives that will be used to measure the results of the training, much the same way the learning objectives at the beginning of each chapter of this textbook are used to plan and evaluate student learning. It is not adequate to say we want change in employee knowledge, skills, attitudes, or behavior; we must clarify what is to change and by how much. These goals should be tangible, verifiable, timely, and measurable. For instance, a firefighter might be expected to jump from a moving fire truck traveling at 15 miles per hour, successfully hook up a 4-inch hose to a hydrant, and turn on the hydrant, all in less than 40 seconds.

Exhibit 8-3
Determining Training Needs

How does HR determine when training is necessary? These questions help make that determination.


Is there a need for training?
What are the organization's goals?
What tasks must be completed to achieve its goals?
What behaviors are necessary for each job incumbent to complete his or her arranged tasks?
What deficiencies, if any, do incumbents have in the skills, knowledge, or abilities required to exhibit the necessary job behaviors?

Develop

HRM then develops a format to deliver the training in the most effective way, considering the tasks to be learned and the target audience for the training. Instructional materials are created or purchased and an appropriate setting is selected. Trainers should be selected and coached in effective training methods. The old saying, "If the only tool you have is a hammer, then you tend to see every problem as a nail," is quite applicable to employee training. If you're familiar with one type of training, such as classroom lectures, it may seem to be a good way to deliver training for many types of topics. However, what works best for teaching one type of skill may not work well for another. For example, teaching employees computer skills necessary for a newly automated process would require much different training methods than teaching employees about the skills and attitudes necessary for better customer service, diversity training, or preventing sexual harassment. Fortunately, many different types of training methods are available and explained in the next section.[18]

Implement

This step is where the actual training takes place. Trainers conduct the selected training activities with employees needing to learn specific skills and attitudes. A few basic principles can make training more effective.[19]

- Know the audience. Understanding the age, gender, background, attitudes, education, and training needs will help trainers tailor the training session to their needs. If the information isn't available prior to training, introductions or an ice-breaker activity may help.
- Apply adult learning principles. Adults are self-directed learners that bring a wealth of experience to the training that can be shared and used to make training more valuable. They expect their time to be used wisely and learn best when they feel respected and confident.
- Use a variety of activities to increase retention.
- Practice the presentation and prepare the room in advance. Rehearse with the technology used in the presentation and have a back-up plan.
- Use effective verbal and nonverbal communication to add meaning and hold interest.
- Engage participants with open-ended questions.
- Use visual aids often and effectively. Learn how to use presentation slides properly.

Evaluation

Any training or development implemented in an organizational effort must be cost-effective. The benefits gained must outweigh the costs of the learning experience. HRM must develop substantive data to determine whether the training effort is achieving its goals. HR can calculate a return on the investment (ROI) by comparing the gains achieved by the training (improved productivity, fewer employee complaints, and better sales) to the cost of the training. Several methods to evaluate the effectiveness of training are discussed later in this chapter.

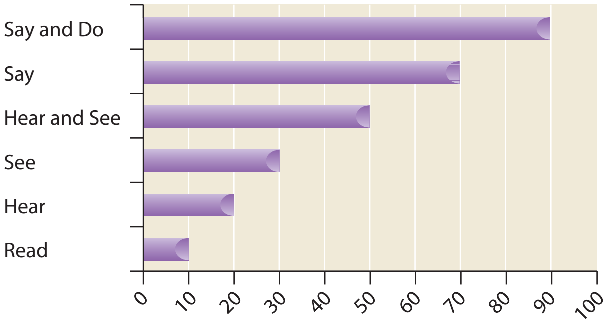


Exhibit 8-4
What Adults Remember

Effective training combines a variety of instructional methods to help learners remember.[20]

TIPS FOR SUCCESS

Becoming a Trainer

Training and development specialists do a variety of activities involved in planning, administering, and evaluating programs that help employees improve their skills including the following:

- Assessing training needs through surveys and consultation with employees and managers.
- Create training materials and use a variety of techniques including video, web-based, lectures, and hands-on examples to deliver training to employees.
- Monitor the success of training.

Demand for qualified trainers with less than 5 years of experience is expected to grow faster than most occupations, with average pay around $55,000 annually.[21] As with most HR-related positions, trainers usually need a BA in a related area. A background in technology is a plus. If you're interested, contact your local Association for Talent Development (ATD), the leading professional organization for training and development professionals. You can find them online at www.ASTD.com.

Employee Training Methods

The *Develop* and *Implement* elements of the Analyze, Design, Develop, Implement, and Evaluate (ADDIE) training model are involved with creating and delivering employee training. As mentioned earlier, training isn't a one-size-fits-all situation. It's important to select the best training method to help the employee learn most effectively.

On-the-Job Training (OJT)

on-the-job training
Trainee works with more experienced employee in the actual work environment.

On-the-job training is probably the oldest and most frequently used type of training. If you think back to your first job, you were probably trained on the job. It can be quite informal and involves the trainee working alongside more experienced employees or trainers in the actual work environment. Small organizations may use OJT as their primary or only training method because they may not know that there are other methods available. It's appropriate for many entry-level jobs, but there are other training tools that can be more effective. Employees who facilitate on-the-job training need to be trained themselves on the best way to model, teach, and reinforce the skills. Trainers also need to understand that they are representatives of the organizational culture as well as an expert in performing the task.

Job Rotation

job rotation
Moving employees horizontally or vertically to expand their skills, knowledge, or abilities.

Job rotation has long been considered a valuable tool to increase employee motivation. Job rotation involves lateral transfers that allow employees to work at different jobs and provides exposure to a variety of tasks. Employers may move new hires through a rotation of different roles in the organization such as marketing, finance, and operations before they settle into a permanent position. This allows employees to develop a broad understanding of how jobs at the organization are interrelated and how one job may depend on the quality output from another.

Apprenticeships

apprenticeships
Combine instruction with coaching from an experienced mentor.

Apprenticeships are frequently used to combine classroom instruction in combination with working alongside a seasoned veteran, coach, or mentor. The combination of hands-on and classroom learning complement each other. Apprenticeships are frequently used in skilled trade or craft jobs such as building trades. The experienced worker provides support and encouragement in addition to training.

Internships

Internships are opportunities for students in higher education to utilize their instruction and training in a chosen profession as part of their education. Internships vary from very unstructured to highly structured and may include college credit. Organizations usually value internships as a way to reduce recruitment expenses without creating an obligation of regular employment. Interns also provide a valuable source of new ideas and creativity. Students participating in internships gain valuable real-world experience and greatly enhance their value to prospective employers, particularly in difficult economic times. Many HR departments offer internships to students who wish to pursue an HR career. Check the "Careers" section of organizational websites to check for internship opportunities. Society of Human Resource Management (SHRM.org), CareerBuilder.com, and Monster.com also list internships.

internships
Structured program for students to gain employment experience in their area of study.

Classroom Lectures

Classroom lectures probably don't need much explanation at this point of your education. Many organizations use classroom instruction along with other methods to provide a great deal of information in a limited timeframe. Instructors need to understand the different learning characteristics of adult learners and the variety of types of instruction that create interest in the specific technical, interpersonal, or problem-solving skills they are teaching. Jobs that may require classroom lecture training include insurance agents or financial advisors.

classroom lectures
Training in a traditional classroom setting.

E-Learning

E-learning is delivered by computer technology. The key advantage is the flexibility it allows. It may also be tailored by an HRIS or Learning Management System to individual employee deficiencies noted in performance appraisals or productivity reports. Many vendors provide E-learning that included videos, quizzes, games, animations, and even virtual reality. After UPS started using games to train new truck drivers, the number of drivers that failed training dropped from 30 percent to 10 percent.[22] Some research has shown, however, that employees who participate in online orientation don't understand the job or company as well as employees who participate in a traditional face-to-face orientation. This may indicate that a combination of online and face-to-face orientation is more effective than a completely online experience.

E-learning
Uses computer technology to deliver a variety of training methods.

Simulations

Simulations involve learning a job by actually performing the work (or its simulation). Simulation methods may include case analyses, experiential exercises, computer simulations, virtual reality, role playing, and group interaction. Computer simulations are particularly useful when training involves expensive or dangerous equipment. Simulations that use equipment identical or nearly identical to equipment used on the job is also called **vestibule training**.

simulation
Any artificial environment that attempts to closely mirror an actual condition.

vestibule training
Using actual work tools or equipment in a training situation.

Evaluating Training Effectiveness

When training clearly shows increased income or reduced costs for the organization, it's easy to justify the cost of training. Take, for example, a delivery driver who is able to make five additional deliveries each day. Each of those deliveries represents $10 of the driver's time, so the benefit to the employer is $50 per day for each driver trained.

Divide the benefit of the training by the cost of training, and we can determine the ROI of the training.

Kirkpatrick's Model

Kirkpatrick's model
Evaluates the benefits of training for skills that are hard to quantify, such as attitudes and behaviors.

What if we're training managers on better communication skills or teaching English as a second language to employees? That's a little more difficult to evaluate. A different approach to determining the effectiveness of training is called the **Kirkpatrick's model**. This is a four-level approach that works well in determining the value of managerial training and any training that is difficult to assess in terms of ROI.

> *Level one* measures the reactions of the participants toward the training and answers questions about whether the participants liked the training; felt they achieved their learning goals; how much they liked the trainers; and any suggestions they have for improving the training.
>
> *Level two* measures how much the participants learned. This could be accomplished by pre- and post-testing the participants or evaluating the participants against a control group that has not been trained.
>
> *Level three* measures whether the training actually changes the employee's behavior when he or she returns to the job. This might be evaluated by the participants, supervisors, or trainer.
>
> *Level four* measures whether the training benefited the employer or not. This could be done by determining ROI as we have above or evaluating a behavior against another standard, such as a benchmark.

Surprisingly, research indicates that nearly half of all training programs are not measured against any substantive outcome, such as employee retention, satisfaction, or productivity.[23] It would be ideal if all companies could boast the returns on investments in training that The Cheesecake Factory does. Their employee turnover rate is consistently below the industry average, and customer satisfaction rates and repeat visits are high.[24] Such a claim, however, is valueless unless training is properly evaluated.

Reaction to training is often evaluated by asking employees who have recently completed a training program for their opinions. If the comments are generally positive, the program may receive a favorable evaluation and it will continue until someone decides, for whatever reason, it should be eliminated or replaced. The problem is that the reactions may be very subjective. They can be heavily influenced by factors such as level of difficulty, entertainment value, or the personality characteristics of the instructor, all of which may have little to do with the training's effectiveness. Beyond general reactions, however, training must also be evaluated in terms of how much the participants learned, how well they use their new skills on the job, positive changes in behavior, and whether the training program achieved its desired results including reduced turnover, increased customer service, and so on.[25]

Three popular methods of evaluating training programs focus on performance rather than opinions. These are the post-training performance method, the pre–post-training performance method, and the pre–post-training performance with control group method.

Simulators can be highly cost-effective, allowing trainers to present scenarios for pilots to handle that could be difficult or dangerous to replicate in a real aircraft. Make a mistake in the simulator, and you start over. Make a mistake at 35,000 feet, and starting over may not be an option.

Alvis Upitis/Getty Images, Inc.

Performance-Based Evaluation

When training develops improved productivity, new skills, increased efficiency or other performance measures, the effectiveness of the training can be measured by the change in performance. Three methods of measuring improvement

CONTEMPORARY CONNECTION

Training Expenditures

How much do U.S. companies spend annually for employee training and development? How much does that add up to for each employee? How much is spent on classroom-based learning as opposed to technology-based learning? Let's take a look at the numbers, according to the Association for Talent Development (ATD).

- $162.2 billion is spent annually on employee training. Nearly two-thirds of that was spent internally. The balance was spent on training by external organizations. With that large investment, you can see why managers want to be sure they're getting a good return on investment.
- $1,195 was the average spent per employee in the United States. How do you think your employer spent that money training you?
- Employees spend an average of nearly 31 hours a year in training, with 22 of those spent in a classroom, and nearly 9 of those hours spent online using self-paced or instructor-led online learning. Are you taking this class online? If so, you have a good idea of what online workplace training is like.

The amount of money spent using technology to train employees is increasing because of the cost savings. Cost advantages include the efficiency of online learning, the ability to reuse the learning tools without much additional expense, and the decreasing costs of developing online learning.[26]

Consider this:

How do you prefer to learn new skills on the job? Is there too much emphasis on online or computer-based training? What skills would you prefer to more traditional face-to-face environment?

include the post-training performance, pre–post-training performance and pre–post-training performance with control group.

Post-Training Performance Method Participants' performance is measured after attending a training program to determine if behavioral changes have been made. For example, assume we provide a week-long seminar for HRM recruiters on structured interviewing techniques. We follow up 1 month later with each participant to see if, in fact, attendees use the techniques addressed in the program, and how.

post-training performance method
Evaluating training programs based on how well employees can perform their jobs after training.

Pre–Post-Training Performance Method In this method, each participant is evaluated prior to training and rated on actual job performance. After instruction—of which the evaluator has been kept unaware—is completed, the employee is reevaluated. As with the post-training performance method, the increase is assumed to be the result of the instruction.

Pre–Post-Training Performance with Control Group Method In this method, two groups are established and evaluated on actual job performance. Members of the control group work on the job but do not undergo instruction; the experimental group does receive instruction. At the conclusion of training, the two groups are reevaluated. If the training is really effective, the experimental group's performance will not only have improved but will be substantially better than the control group.

pre–post-training performance with control group method
Evaluating training by comparing pre- and post-training results with individuals.

Employee Development

Employee development, as mentioned earlier, is concerned with the employee's personal growth in ways that can help the organization. Goals may include increasing an employee's ability to understand and interpret knowledge or improving critical thinking or problem-solving skills. The use of work teams, reductions in supervisory roles, participative management, and a greater emphasis on quality and customer service has changed the way we view employee development. As we go through the next few pages, note that the methods used to develop employees in general are the same as those used to develop future management talent.

employee development
Training focused on developing employee skills that are valuable to the organization.

The NYC Collection/Alamy Limited

Sprint may be the third largest wireless carrier, but it is leading the way in moving from instructor-led training to short videos that employees can access through the company's intranet, cutting training costs, and making the information available when managers need it.

Employee Development Methods

Some development of an individual's abilities can take place on the job. Several methods already discussed, job rotation, assistant-to-positions, and simulations are popular ways to deliver employee development activities. Others include case studies, conferences, seminars, committee assignments, and adventure or outdoor training.

Assistant-To-Positions Employees with demonstrated potential sometimes work under a seasoned and successful manager, often in different areas of the organization. Working as staff assistants, or in some cases, serving on special boards, these individuals perform many duties under the watchful eye of a supportive coach. In doing so, these employees experience a wide variety of management activities and are groomed for assuming the duties of the next higher level.

Committee Assignment Committee assignments can allow the employee to share in decision making, learn by watching others, and investigate specific organizational problems. Temporary committees often act as a taskforce to delve into a particular problem, ascertain alternative solutions, and recommend a solution. These temporary assignments can be both interesting and rewarding to the employee's growth. Appointment to permanent committees increases the employee's exposure to other members of the organization, broadens his or her understanding, and provides an opportunity to grow and make recommendations under the scrutiny of other committee members.

Classes, Conferences, and Seminars Classes, conferences, and seminars allow access to experts and help individuals develop their conceptual and analytical abilities. Online learning allows for employees to view a lecture or presentation live or view streaming video at any time or place. Courses or seminars are provided by employers, professional associations, or colleges. For example, websites of the Society of Human Resource Management (SHRM), Association for Talent Development (ATD), and American Management Association (AMA) provide members with extensive libraries of videos, podcasts, and webcasts on a variety of HR and training topics.

Many organizations offer incentives for employees to take college classes. Incentives can include increased potential for promotion, tuition reimbursement, or both. Classes can be taken toward a degree or continuing education. Either way, employees are taking the responsibility to advance their skills, knowledge, and abilities in an effort to enhance their value to their current or future employer.

Case Studies, Decision Games, and Role Plays Employee development through case study analysis was popularized at the Harvard Graduate School of Business. Taken from the actual experiences of organizations, these cases represent attempts to describe, as accurately as possible, real problems that managers have faced. Trainees study the cases to determine problems, analyze causes, develop alternative solutions, select what they believe to be the best solution, and implement it. Case studies can provide stimulating discussions among participants, as well as excellent opportunities for individuals to defend their analytical and judgmental abilities. It appears to be a rather effective method for improving decision-making abilities within the constraints of limited information.

Adventure Training A recent trend in employee development has been the use of adventure (sometimes referred to as outdoor, wilderness, or survival) training. The primary focus of such training is to teach trainees the importance of working together or coming together as a team.[27] Adventure training typically involves a major emotional and physical challenge. This could be white-water rafting, mountain climbing, paintball games, or surviving a week on a sailing adventure.

The purpose is to see how employees react to the difficulties that nature presents to them. Do they face these dangers alone? Do they freak out? Or are they controlled and successful in achieving their goal? How cooperative are they under harsh circumstances? The reality is that today's business environment does not permit employees to stand alone. This has reinforced the importance of working closely with one another, building trusting relationships, and succeeding as a member of a group. Companies such as Wells Fargo, Whole Foods Markets, Microsoft, and Bank of America have embraced adventure training efforts.[28]

organization development (OD)
The part of HRM that addresses system-wide change in the organization.

Organization Development

Although our discussion so far has related to the people side of business, it is important to recognize that organizations change from time to time. Changes with respect to mergers, the global economy, diversity, increased use of contingent workers, technology, the economy, and difficulty of establishing work–life balance require the organization to move forward through a process we call **organization development (OD)**. OD has taken on a renewed importance today.

change agent
Individual responsible for fostering the change effort and assisting employees in adapting to changes.

No matter what role OD takes in an organization, it requires facilitation by an individual well versed in organization dynamics. In HRM terms, we call this person a change agent. **Change agents** are responsible for fostering the environment in which change can occur, and working with the affected employees to help them adapt to the change. Change agents may be either internal employees, often associated with the training and development function of HRM, or external consultants. Before we discuss specific aspects of OD, let's take a look at the nature of change.

Change Is a Popular Topic

Change usually affects four areas of an organization: its systems, technology, processes, and people. No matter what the change, or how minor it may appear, understanding the purpose is essential for it to be supported and lasting.[29] OD comes into play with efforts designed to support the business's strategic direction. The effects of change become organizational culture issues. Accordingly, OD efforts help ensure that organizational members support the new culture and assist in its assimilation.

We often use two metaphors to clarify the change process.[30] The calm waters metaphor envisions the organization as a large ship crossing a calm sea. The ship's captain and crew know exactly where they are going because they have made the trip many times before. Change surfaces as the occasional storm, a brief distraction in an otherwise calm and predictable trip. The white-water rapids metaphor pictures the organization as a small raft navigating a raging river with uninterrupted white-water rapids. Aboard the raft are a half dozen people who have never worked together before, who are totally unfamiliar with the river, who are unsure of their eventual destination, and who, as if things weren't bad enough, are traveling in the pitch-dark night. In the white-water rapids metaphor, change is a natural state, and managing change is a continual process.

These two metaphors present widely differing approaches to understanding and responding to change. Let's take a closer look at each one.

iStockphoto

Are these people on an adventure vacation or an employee development activity? If they work for Wells Fargo, it might be a little of both.

The Calm Waters Metaphor Until recently, the calm waters metaphor dominated the thinking of practicing managers and academics. The assumption is that once change occurs, the organization encounters a new normal, or calm waters until the next change is necessary. The prevailing model for handling change in calm waters is best illustrated in Kurt Lewin's three-step description of the change process (see Exhibit 8-5).[31]

According to Lewin, successful change requires unfreezing the status quo, changing to a new state, and refreezing the new change to make it permanent. The status quo can be considered an equilibrium state. Unfreezing, necessary to move from this equilibrium, is achieved in one of three ways:

- The driving forces, which direct behavior away from the status quo, can be increased.
- The restraining forces, which hinder movement from the existing equilibrium, can be decreased.
- The two approaches can be combined.

After unfreezing, the change itself can be implemented. The new situation needs to be refrozen so that it can be sustained over time. Without this last step, the change will likely be short-lived, and employees will revert to their familiar and more comfortable pre-change behaviors. The objective of refreezing is to stabilize the new situation by balancing the driving and restraining forces.

The White-Water Rapids Metaphor This metaphor takes into consideration the fact that environments are both uncertain and dynamic. To understand what managing change while negotiating uninterrupted rapids might be like, imagine attending a college in which courses vary in length. When you sign up, you don't know whether a course will last for 2 weeks or 30 weeks. The instructor can end a course at any time, with no prior warning. If that isn't unsettling enough, the length of the class session changes each time—sometimes 20 minutes, other times 3 hours—and the time of the next class meeting is set by the instructor during the previous class. Oh, yes: The exams are unannounced; you must be ready for a test at any time. To succeed in this college, you would have to be incredibly flexible and able to respond quickly to every changing condition. Students too structured or slow on their feet would not survive.

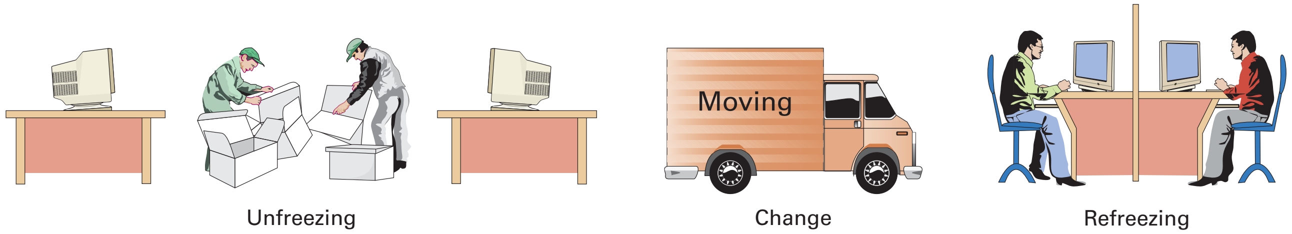
A growing number of organizational members are accepting that their jobs are much like what students would face in such a college. The stability and predictability of calm waters do not exist. Many of today's employees never get out of the rapids. They face constant change, bordering on chaos. These individuals must play a game they have never played before, governed by rules created as the game progresses.[32]

The white-water metaphor seems to be more applicable all the time, as environmental factors such as technology, the worldwide economy, consumer tastes, and preferences change rapidly. Consider airlines for an example. Their environment is subject to constantly fluctuating fuel prices, weather changes, government regulations, terrorist threats, mergers, competitive pressures, and consumer preferences. No calm waters in sight. Just turbulence.

Exhibit 8-5

Lewin's Change Process

In this illustration, movers assist an office relocation by disassembling the office in the unfreezing phase and moving equipment in the change phase. Office workers settle into their new location in the refreezing phase.



OD Methods

OD facilitates long-term organization-wide changes. Its focus is to constructively change attitudes and values among organizational members so that they can more readily adapt to changes in the organization's structure, strategy, or culture.[33] Persons involved in OD efforts acknowledge that change can create stress for employees. Effective OD methods attempt to involve organizational members in the changes that will affect their jobs and seeks their input about how the innovation is affecting them.

Any organizational activity that assists with implementing planned change can be viewed as an OD method. However, the more popular methods rely heavily on group interactions and cooperation. These include survey feedback, process consultation, team building, and intergroup development.

Survey feedback efforts assess employee attitudes and perceptions of the change they are encountering. Employees generally respond to a set of specific questions regarding how they view organizational aspects such as decision making; leadership; communication effectiveness; and satisfaction with their jobs, coworkers, and management.[34] The data the change agent obtains help clarify problems that employees may be facing. The change agent can consider actions to remedy the problems involving workflow, informal relationships among unit members, and formal communications channels.

Organizations are made up of individuals working together to achieve goals. Because organizational members must frequently interact with peers, a primary function of OD is to help them become a team. Team building helps work groups set goals, develop positive interpersonal relationships, and clarify the role and responsibilities of each team member. There may be no need to address each area because the group may be in agreement and understand what is expected of it. Team building's primary focus is to increase each member's trust and openness toward one another.[35]

Intergroup development attempts to achieve cohesion among different work groups. That is, intergroup development attempts to change attitudes, stereotypes, and perceptions that one group may have about another group. Doing so can build better coordination among the various groups.

Javier Pierini/Digital Vision/Getty Images, Inc.

Just as white-water rafters deal with continuously changing water currents, organizational members facing rapid and uncertain change must adjust quickly and react properly to unexpected events.

The Learning Organization

The concept of a **learning organization** describes a significant organizational mindset or philosophy. A learning organization has the capacity to continuously adapt and change because all members take an active role in identifying and resolving work-related issues.[36] In a learning organization, employees practice knowledge management by continually acquiring and sharing new knowledge and willingly applying that knowledge to making decisions or performing their work.

In a learning organization, it's critical for members to share information and collaborate on work activities throughout the entire organization, across different functional specialties, and even at different organizational levels. Employees are free to work together and collaborate in completing the organization's work the best way they can, and in the process, to learn from each other. This need to collaborate also tends to make teams an important feature of a learning organization. Empowered employees and teams have little need for "bosses" to direct and control them. Instead, traditional managers serve as facilitators, supporters, and advocates for employee teams. The learning organization environment is conducive to open communication and extensive information

survey feedback
Assessment of employees' perceptions and attitudes regarding their jobs and organization.

intergroup development
Helping members of various groups become a cohesive team.

learning organization
An organization that values continued learning and believes a competitive advantage can be derived from it.

In a learning organization, employees practice knowledge management by continually acquiring and sharing new knowledge and willingly applying that knowledge to making decisions or performing their work.

sharing. Information must be shared openly, in a timely manner, and as accurately as possible.

Leadership plays an important role by creating a shared vision for the organization's future and keeping organizational members focused on that vision. In addition, leaders should support and encourage the collaborative environment critical to learning. Without strong and committed leadership throughout the organization, maintaining a learning organization would be extremely difficult.

Finally, the importance of culture cannot be overstated. A learning organization's culture is one in which everyone agrees on a shared vision and recognizes the inherent interrelationships among the organization's processes, activities, functions, and external environment. There is a strong sense of community, caring for each other, and trust. In a learning organization, employees feel free to openly communicate, share, experiment, and learn without fear of criticism or punishment. Much of the responsibility for these elements of a learning organization belong to HRM.

International Training and Development Issues

Important components of international human resource management include both cross-cultural training and a clear understanding of the overseas assignment as part of a manager's development.[37]

Cross-Cultural Training

Cross-cultural training is necessary for expatriate managers and their families before, during, and after foreign assignments.[38] It is crucial to remember that when the expatriates arrive, they are the foreigners, not the host population. Before the employee and family relocate to the overseas post, they need to absorb as much cultural and practical background as possible. Language training is essential for everyone in the family.

Although English is the dominant business language worldwide, relying on English puts the expatriate at a disadvantage. The expatriate will be unable to read local trade journals and newspapers, which contain useful business information, and must rely on translators, which slow down discussions and possibly create misunderstandings. Even if an expatriate manager is not fluent, a willingness to try communicating in the local language makes a good impression on the business community—unlike the insistence that all conversation be in English. Foreign-language proficiency is also vital for family members to establish a social network and accomplish the everyday tasks of maintaining a household. Americans may be able to go to the produce market and point at what they recognize on display, but if the shop has unfamiliar meats or vegetables, it helps to be able to ask what each item is, and it's even better to understand the answers!

Cross-cultural training is, of course, much more than language training. It should provide an appreciation of the new culture, including details of its history and folklore, economy, politics (both internal and its relations with the United States), religion, social climate, and business practices.[39] It is easy to recognize that religion is highly important in daily life in the Middle East, but knowledge of the region's history and an understanding of the specific practices and beliefs is important to avoid inadvertently insulting business associates or social contacts.

All this training can be carried out through a variety of techniques. Language skills are often provided through classes and recordings, whereas cultural training utilizes many different tools. Lectures, books, videos, and movies are useful for background information, but cultural sensitivity is more often taught through role playing, simulations, and meetings with former international assignees and natives of the countries now living in the United States.

After the overseas assignment has ended and the employee has returned, more training is required for the entire family. All family members must reacclimate to life in the United

States. The family faces changes with their extended family, friends, and even local events that have occurred in their absence. Teenagers find reentry particularly difficult, as they may be more sophisticated and mature than their local and less traveled friends. The employee also must adjust to organizational changes, including the inevitable promotions, transfers, and resignations that have taken place during his or her absence. Returnees are anxious to know where they fit in, or if they should change their career path.

Development

The current global business environment makes the overseas assignment a vital component in developing top-level executives. Many American managers return with broader experiences, having been relatively independent of headquarters. Particularly, mid-level managers experience greater responsibilities than others at their level and frequently acquire greater sensitivity and flexibility to alternative ways of doing things.

It is vital for the organization to make the overseas assignment part of a career development program.[40] In the absence of such a developmental program, two negative consequences often occur. First, the recently returned manager who is largely ignored or underutilized becomes frustrated and leaves the organization. This is extremely costly, as the company has lost the investment in developing this individual and the talent that will likely be recruited by a competitor, either at home or overseas.

Second, when overseas returnees are regularly underutilized or leave out of frustration, other potential expatriates become reluctant to accept overseas posts, inhibiting the organization's staffing ability. When the overseas assignment is completed, the organization has four basic options. First, the expatriate may be assigned to a domestic position, beginning the repatriation process. Hopefully, this new assignment will build on some of the newly acquired skills and perspectives. Second, the return may be temporary, with the goal of preparing for another overseas assignment. This might be the case where a manager has successfully opened a new sales territory and is being asked to repeat that success in another region. Third, the expatriate may seek retirement either in the United States or in the country in which he or she spent the past few years. Finally, employment may be terminated either because the organization has no suitable openings or because the individual has found opportunities elsewhere.

All of these options involve substantial expenses or a loss in human investment. A well-thought-out and organized program of employee development can make overseas assignments a part of the comprehensive international human resource management program.

Summary

(This summary relates to the Learning Outcomes identified on page 173.) After having read this chapter, you can do the following:

1. **Explain the concept of onboarding and socialization.** Onboarding and socialization are a comprehensive approach to helping new employees adapt to a new job and new organizational culture.
2. **Identify the three stages of employees' progress through as they learn organizational culture.** The three stages employees go through are the pre-arrival, the encounter, and the metamorphosis stages.
3. **Identify the purpose and key personnel involved in new employee orientation.** Orientation is the part of the onboarding process that introduces the new employee to the organization and to the individuals in his or her work unit. The key people in orientation are the CEO, HRM representatives, and supervisors.
4. **Explain the purpose and essential contents of an employee handbook.** Handbooks serve as a source of information about company culture, policies, rules, and benefits. It should include information about the company, including its mission, history, policies, employee benefits, organizational culture, work rules, discipline procedures, the appeals process and policies on EEO, harassment, drug abuse, social

media use, and electronic communications.

5. **Explain the ADDIE model of training design.** The ADDIE model focuses training on organizational strategy with the sequential steps of Analyze, Design, Develop, Implement, and Evaluate.
6. **Outline a variety of employee training methods.** Common training methods include on-the-job training, job rotation, internships, apprenticeships, classroom lectures, e-learning, and simulations.
7. **Describe the methods and criteria involved in evaluating training programs.** Training programs can be evaluated by post-training performance, pre–post-training performance, or pre–post-training performance with control group methods. The evaluation focuses on trainee reaction, what learning took place, and how appropriate the training was to the job.
8. **Explain the purpose of employee development and the methods used.** Employee development is concerned with the employee's growth in ways that help the organization such as improving critical thinking, decision, supervisory, or teamwork skills. Methods include assistant positions, committee assignments, classes, conferences, seminars, case studies and role plays, and adventure training.
9. **Discuss the term *organizational development* and the role of the change agent.** Organization development is the process of changing the organization in ways that make it more effective. Change agents help employees understand and adapt to changes.
10. **Explain the term *learning organization.*** A learning organization continuously adapts and changes because all members take an active role in identifying and resolving work-related issues. In a learning organization, employees practice knowledge management by continually acquiring and sharing new knowledge, which they willingly apply.
11. **Explain issues critical to international training and development.** International issues in training and development include cross-cultural training, language training, and economic-issues training.

Key Terms

ADDIE model
apprenticeships
change agent
classroom lectures
e-learning
employee development
employee handbook
employee training
encounter stage
intergroup development
internship
job rotation
Kirkpatrick's model
learning organization
metamorphosis stage
onboarding or socialization
on-the-job training
organization culture
organization development (OD)
orientation
post-training performance method
pre-arrival stage
pre–post-training performance method
pre–post-training performance with control group method
simulation
survey feedback
vestibule training

HRM Workshop

Reviewing Important Concepts

1. Explain the purpose and benefits of an effective onboarding process for new employees. (LO 1, 2)
2. What are the similarities and differences between training and development? (LO 5, 6, 7, 8, 9)
3. Explain the purposes of the employee handbook and what it should include. (LO 4)
4. How does the ADDIE model of training design connect training with strategy? (LO 5)

5. Why is evaluation of training effectiveness necessary? (LO 7)
6. Explain the differences in philosophy of the Calm Waters and White-Water Rapids views of change. (LO 9)

Evaluating Alternatives

7. Describe what a socialization program might look like if management desired employees who were innovative and individualistic. (LO 1, 2)
8. Anne and Ed are disagreeing over the content of the employee manual of their new start-up. Anne wants to keep the content to a bare minimum or have no handbook at all because a lawyer friend of hers warned her that handbook are often misinterpreted and can create legal problems. Ed wants a comprehensive handbook with standardized rules and policies to prevent misunderstandings. Explain if you would side with Anne or Ed and why. (LO 4)

Research and Communication Skills

9. Identify and contact a human resource manager at your college or university, employer, a nonprofit organization, or a local company. Ask if you may observe part or all of an upcoming orientation or training program as part of a class assignment. Summarize your orientation experience in a one- or two-page report and then share your experience with your class or team. Be sure to answer these questions:
   a. What evidence did you find that the employer uses an onboarding approach with new employees? (LO 1, 2, 3)
   b. What information was communicated? How was it communicated and what key personnel were involved in the orientation? (LO 1, 2, 3, 4)
10. Search YouTube for short videos that illustrate or explain the culture of two different organizations that have quite different cultures. Prepare a 10-minute presentation that includes all or part of the videos. Explain how the cultures differ and how you would create appropriate onboarding processed for each. Explain which culture you would prefer and why. (LO 1, 2)
11. Do an Internet search of articles on learning organizations. Summarize in a two- to three-page article how organizations become learning organizations and what benefits a learning organization provides for a company. (LO 10)

Making a Difference

SERVICE LEARNING PROJECTS

The onboarding process may be even more important for new volunteers than for new employees. Without knowledge that they have an important role in accomplishing a worthwhile task, volunteers may not show up or stay. Many opportunities exist to volunteer in this process, including the following:

- Develop an onboarding process to help with new volunteer orientation and training at a nonprofit organization such as Goodwill or the Salvation Army.
- Volunteer to assist with new student orientation at your college.
- Explore the learning process by volunteering to help in local schools.

As you put your service learning experience together, keep a journal of your activities, the time you spend, contact information for people you work with, and your thoughts about the process. When you're finished, make a presentation to your class about the experience and what you learned. What concepts from Chapter 8 were you able to apply?

Case Application 8-A

TRAINING FOR KINDNESS

Kindness House Hospice is a 30-bed facility that provides care for patients nearing the end of their life. Recent surveys of patient family members have indicated that perception of the quality of care at Kindness House is declining, prompting the board of directors to ask the medical staff to re-evaluate procedures and training. Director of Nursing, Kenya Meisner, reported to the board that the medical staff was performing to the best of their ability, but several factors were preventing the quality of care from meeting the board's high expectations. "Stress," declared Kenya. "Stress, pure and simple. Hospice care requires different skills than other types of nursing. Our patients won't recover. They and their families need compassion. New nurses and nurse aids need training in how to provide the right type of care and support, but because of our staffing problems, we just throw them right into patient care. It's difficult work and without proper training they don't know how to handle the stress and leave. We're chronically understaffed and patient care suffers when we have a revolving door of medical staff. Last week we had a nurses' aid that quit on her first day. She just walked out during her lunch break and sent us a text that she couldn't handle it and wasn't coming back."

Kim Larson, HR Director, backed up Meisner's assessment adding that "turnover for hospice workers averages 25–30 percent a year. Ours is nearly 60 percent." Kim added that "The disruptions in care due to turnover reduce the quality of care and cause even more stress." She went to explain that constantly recruiting, hiring, orienting, and training new medical staff was expensive and time consuming for her and the HR assistant. Little time remained to train the new staff.

When the directors quizzed Larson why the supervisors weren't assisting in the new employee training process, Meisner and Larson revealed that the supervisor position had high turnover as well and the inexperienced supervisors weren't always capable of handling their paperwork and personnel supervision duties adequately, so they hadn't received training in how to participate in the training of new employees.

Larson explained that she and Meisner felt that a more effective onboarding process might help. "If we could hire some temps to ease the staffing problem, we could do a proper orientation and training for our new and recent hires so they understand the role of Kindness House and have the skills to handle the stress. Studies show that if we can improve the overall culture through better onboarding, we can significantly reduce turnover."

Chris Liang, the CEO exclaimed that it was a great idea. "The CEO of Central Pediatrics Group just developed an onboarding program for their medical staff and I'm sure we can just use their materials. Of course we would change the name to Kindness House. I'll call him right after our meeting and have his HR Director send their materials to Kim."[41]

Questions:

1. How should Kim Larson handle the suggestion to use the onboarding program from Central Pediatrics? What onboarding, socialization, and orientation practices would be appropriate for new medical staff at Kindness House? (LO 1, 2, 3, 4)
2. Using the ADDIE model of training design, design an employee development program for the supervisors. (LO 5, 6, 7)
3. Identify the best training methods for teaching the medical staff at Kindness House how to relate to patients, how to handle stress, correct completion of paperwork, and proper safety procedures. Explain why you selected each training method. (LO 5, 6, 7)
4. **Research**: Find examples of how improved onboarding and training been used to improve culture, reduce turnover, and increase efficiency in healthcare or other industries. Summarize your results and include your sources. (LO 1, 2, 7)

Case Application 8-B LEADING PEOPLE AT WHIRLPOOL

When Whirlpool identifies supervisors that seem to be "up and comers," they are invited to participate in *Leading People*, a leadership training program. The catch is, they're required to bring their manager too.

This unique employee development program has its roots in an online training program started in 2009 called *Foundations of Whirlpool*. It included nine 30-minute modules designed to encourage employees to embrace Whirlpool's strategic emphasis on growth and innovation. The modules are used in onboarding new employees and for employees preparing for advanced classes at Whirlpool University, the training and development of Whirlpool.

The *Foundations of Whirlpool* training was successful in focusing employees on strategy through the recession. Staying true to the strategic focus on innovation, the learning leaders at Whirlpool University built on the success of "Foundations" to develop *Leading People*, a management training program that would reinforce the behaviors as the supervisors learned them. They felt the best way to do this was to train managers in a separate leadership program called *Coaching to Win*, designed to develop coaching strategies that empower supervisors and motivate them to apply their newly learned skills.

The program is an example of Whirlpool's "Closed Loop Learning Method" that combines online learning modules, face-to-face classroom experiences, immediate application of new skills in the workplace, and a manager that holds the learner accountable. According to Whirlpool University Director Tamara Patrick, "In the past, we would bring leaders in to a classroom for three days and teach them basic supervisory skills. Then, we sent them back to the job and never talked about again."

The Closed Loop strategy spreads the coursework of *Leading People* out over a 12-month period. Students begin by completing e-learning modules on leadership skills, participating in face-to-face classes at Whirlpool U and in collaborative exercises with classmates. Learning is followed by a several month break to allow participants time to practice their skills in the workplace and work on projects with classmates. The process repeats over 12 months, culminating in a presentation to their managers and Whirlpool senior leaders. Patrick explains, "It's a really powerful combination that is reshaping our approach to learning and development."[42]

Questions:

1. Discuss how each of the levels in Kirkpatrick's model could be applied to the *Leading People* supervisor training. Explain which would be the best indicator of the effectiveness of the program. (LO 7)
2. Evaluate the "Closed Loop Learning Method." Which of the training methods in the chapter does it seem to incorporate? What training method would you add to the "Closed Loop Learning Method" and why? (LO 5, 6, 7)
3. How do you feel the involvement of the managers influences the success of the *Leading People* program? (LO 8, 9)
4. Apply the concept of the "Learning Organization" to supervisor training at Whirlpool. How well does the concept describe Whirlpool? (LO 10)
5. **Research**: Find other organizations that have their own "University" to administer employee training and development. What types of programs do they offer? Who is invited to attend? (LO 6, 8)

9 Managing Careers

Ariel Skelley/Blend Images/Alarmy Limited

In 1966 Principal Financial Group placed a help wanted ad stating "job openings for mothers of schoolchildren," offering part-time hours and summers off. Rather than being an early example of gender and age discrimination, it was an example of a long-term commitment to equal career opportunities for women.

The company has developed a loyal and devoted employee base that reflects diversity in age, culture, ethnicity, and background on every level. Over two-thirds of the employees are women, and 5 of the 11 board members are women. Principal's efforts to help all employees manage careers include programs that support employees through the more vulnerable points in the employee's career cycle, hoping that by helping employees to manage their career, they'll be more likely to stay. Examples include the following:

- Eight hours of paid time off to volunteer at a nonprofit agency of the employee's choice, including their church or child's school.
- "No meeting Fridays" to allow employees to catch up on work, get organized, and decompress.
- Working Caregiver Leave, allowing employees to return to their job on a part-time schedule with full-time benefits for 12 weeks to care for a new baby or other loved one needing care after Family Medical Leave is exhausted.
- "Happy Returns," a partnership with Manpower that allows retirees to work part time while retaining retirement benefits.
- Offering older workers opportunities to work for several months in a nonprofit organization or overseas assignment.
- Leadership Development programs to employees over the age of 50.

The programs have resulted in retention of employees at times when they were considering changes of careers or leaving the company, saving money by retaining talent, and reducing turnover costs. They've also been recognized as one of the Best Places to Work by the National Association of Female Executives, *Working Mother* magazine, *Fortune*, *Latina Style* magazine, and AARP.

Looking Ahead

Policies at Principal Financial Group clearly assist employees in managing their careers. In what ways does Principal benefit in addition to reducing turnover?

LEARNING OUTCOMES

After reading this chapter, you will be able to:

1. Differentiate between career development and employee development.
2. Explain the role of the organization in employee career development.
3. Identify the role of managers in employee career development.
4. Outline employee responsibilities for career development.
5. Explain the four typical career stages.
6. Describe the relationship among personality, career choice, and fit.
7. Identify several suggestions for effective personal career management.

Introduction

Although the goal of HRM is fulfilling organizational objectives and satisfying employee career needs, employees are ultimately responsible for their own careers. In this chapter, we'll review some of the basics of careers, career development, and HRM's current role in offering assistance.

Career Development

career
The sequence of employment positions that a person has held over his or her life.

career development
Gaining skills that will help an individual progress in a career.

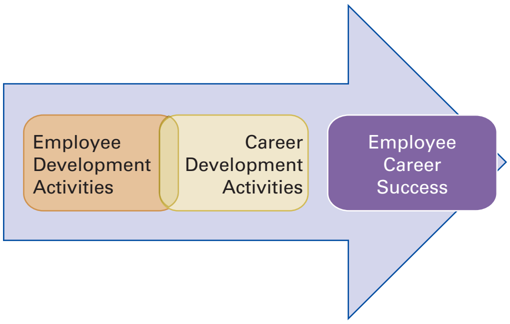
The term **career** has numerous meanings. For our purposes, we define career as "the pattern of work-related experiences that span the course of a person's life."[1] It may include any work, paid or unpaid, pursued over an extended time. Career success is a little more difficult to define. Objective measures of career success include salary, impressive job titles, prestigious employers, and awards, but subjective measures such as pride in accomplishments, enjoyable work, satisfying relationships with colleagues, and achieving work–life balance are important goals too.

The process of gaining skills that will help an individual progress in a career is **career development**. You might be wondering how career development differs from employee development discussed in Chapter 8. It's a fair question! Employee development is focused on personal growth in ways that help the organization, and it often involves the leadership skills necessary to advance or succeed as a manager. Career development takes a broader perspective and includes activities that help an employee explore personal interests, explore career paths, and identify career goals that are appropriate for the individual employee.

As a bonus to the employee, the two activities often overlap. Employee development activities provide skills that assist the employee in advancing in his or her career, which may include moving up in the organization or even leaving the organization when it no longer offers opportunities for career advancement. For example, teamwork and leadership skills developed in a supervisory training program are useful in earning promotions to other management positions or even different employers. In other words, career development helps employees build careers with tools and resources provided by the organization and support from management.[2] As part of a strategic talent management program, HRM plans and administers both employee development and career development activities with the goal of increasing employee performance, engagement, and retention.

Exhibit 9-1
Overlapping Goals and Activities

Although the perspectives differ, employee development activities may overlap career development activities. Both assist the employee to achieve career goals.


Employee Development Activities
Career Development Activities
Employee Career Success

The Organization's Role in Career Development

A recent survey found that when job candidates feel that an employer offers career advancement potential, they are more likely to accept job offers. On the flip side, employees who leave organizations cite lack of career advancement opportunities as a major reason for leaving.[3] Clearly, a well thought out career management plan is important to attracting and retaining employees with critical skills and high potential. Important elements of career management include the following:

- A clear link between organizational strategy and job descriptions.
- Clearly defined career paths that are well communicated.
- Defined expectations of skills and behaviors necessary for positions on every level in the organization.
- Career development training for employees that promotes skill development and informed career choices.

A great example of a strategic career development program is the "Regional Specialist" and "Global Services Group" programs at Samsung explained in Chapter 5 (Human Resource Planning and Job Analysis). In order to support Samsung's strategic goal of global expansion and redefine its culture, Samsung recruits and trains high-potential MBA graduates globally as well as training current Korean employees to be global thinkers. To accomplish this, candidates are recruited from the best MBA schools in the United States and a few other countries to join Samsung's Global Services Group (GSG) in Korea for a year of training. This training includes lessons in Korean language and culture, consulting readiness training and lectures from Samsung senior executives in every division of the company. At the end of the program, GSG graduates choose from several different career paths including management, strategic planning, and international consulting.[4] Current Korean Samsung employees can apply to the Regional Specialist Program, which involves living in a foreign country for up to 2 years. During this time, their biggest responsibility is to integrate with and understand the local culture. After returning to Korea, Regional Specialists have greatly enhanced career opportunities within Samsung.

A long-term career focus increases the organization's effectiveness in managing its human resources. Let's take a look at several other benefits of a well-designed career development program.

Talent Will Be Available When and Where It Is Needed

Career development efforts are an important part of strategic employment planning. Helping employees explore career goals and a career path within the organization that is appropriate will increase the probability that the right people will be available to meet the organization's changing staffing requirements.

Improved Ability to Attract and Retain Talented Employees

A survey of college students and recent graduates by Manpower subsidiary Right Management found that they would be more likely to stay with organizations that offer the ability to grow from within, flexibility, camaraderie, and a good work–life balance.[5]

VOLUNTEER
VOLUNTEER

Baxter encourages and supports employee volunteerism as part of their career development activities. Baxter employees volunteer over 100,000 hours each year.

© Steve Debenport/iStockphoto

CONTEMPORARY CONNECTION

Career Development at Baxter

Baxter may not be a familiar name to you, but as soon as you enter a clinic, hospital, or care center, you'll quickly see their simple blue logo on many healthcare products. Career Development at Baxter is guided by a the philosophy that career development benefits both the individual and the organization.

We believe that development is[7]

- **A shared** responsibility between each employee, their manager, and Baxter
- **A process** over time . . . not an event
- **Focused on goals** important to both employees and Baxter
- **Focused** on short-term actions and long-term career goals
- **Achieved** through work experiences, feedback, relationships, and training

Career development activities are a combination of work experiences, feedback and relationships, and training with the emphasis on work experiences:

Baxter created MyCareer@Baxter, a website that provides career planning tools, training, and job opportunities to employees worldwide. Online learning is offered in 20 languages in thousands of topics including job-specific skills, government regulations, and leadership. Employees average 18 hours per year of training.[8]

Consider this:

Would the career development philosophy and practices at Baxter make it a more attractive employer to you? What seems to be the most valuable component? What do you think of the large emphasis on work experience?

70 % Work Experience	20 % Feedback and Relationships	10 % Training
• Challenging assignments • Special projects • Rotational assignments • Volunteerism and community involvement	• Performance appraisal and career discussions • Networking • Mentoring • Coaching • Professional and Trade Association involvement	• Instructor led courses • Self-study and online courses • Books and journals • Advanced degrees or professional certification • Conferences

Enhanced Diversity

Discrimination is less likely to occur if career paths are well defined and communicated, all employees understand the skills necessary for advancement and all employees have equal access to career development activities and opportunities.

Strong Cultures

Career development activities that support organizational core values strengthen the organizational culture. For instance, employees at Principal Financial Group, discussed in the chapter opener, are encouraged to use 8 hours of paid time off each year to volunteer at a local nonprofit organization, including their church or child's school. Employees who are happy with this arrangement spread the word, making them effective recruiters for the company. One young mother who left a teaching career to work for Principal said, "Friends who are working moms told me about it. I didn't even look at positions at another company."[6]

Managers and Career Development

Helping employees with career development is an integral part of the talent management strategy of many organizations, but implementation breaks down if managers aren't involved in the process. A recent survey indicates that only a quarter of organizations find that their managers do a good job of supporting career development activities for their employees. Even fewer, just 16 percent reported that managers discuss career development with employees outside the performance appraisal process.[9]

There are several reasons managers may not be effective elements in the career development process:

Poor Understanding of Career Development Managers may not understand the importance of the process or the resources available. HRM needs to make sure that managers are familiar with career paths, not only in their own division but also in other parts of the organizations. Knowledge of career development training and technology is important too. Managers cannot utilize resources they do not understand.

Time Managers may simply not have enough time for performance appraisals, feedback, mentoring, coaching, or discussing career development with employees. Many organizations are short staffed for a variety of reasons, and the additional responsibilities for daily tasks do not leave enough time to develop talented employees.

Training HRM must train managers in effective methods of providing career information and guidance to employees.

Fear Managers who develop high-potential employees risk losing them. When employees are promoted or even if they leave the organization for better job opportunities, managers should be recognized and supported.

HRM support and training of managers is important because of the valuable link they provide with employees and their influence on employee participation in career development activities. Managers and supervisors are also an effective source of career information and guidance, connecting employees with resources and opportunities. Engagement and productivity are enhanced when employees like and trust their managers.[10]

One method managers may use to assist employees in achieving career goals is **mentoring or coaching**. Similar to the way sports coaches observe, analyze, and attempt to improve the performance of their athletes, "coaches" on the job can do the same. Effective coaches give guidance through direction, advice, criticism, and suggestions in an attempt to aid the employee's growth.[11] Mentors provide a support system for employees by offering insight into how the organization operates, expanding the employee's professional network, assisting in setting career development goals, and providing feedback when necessary.[12]

mentoring or coaching
Providing insight, advice, suggestions, and feedback to another employee.

Coaching of employees can occur at any level and can be most effective when the two individuals have no type of reporting relationship. Coworkers may even be good mentors, particularly if the mentor has a different skill set than the newer employee. Mentoring relationships can be maintained online via e-mail or social media as well as through traditional ways such as meeting for coffee or sharing a meal (Exhibit 9-2).

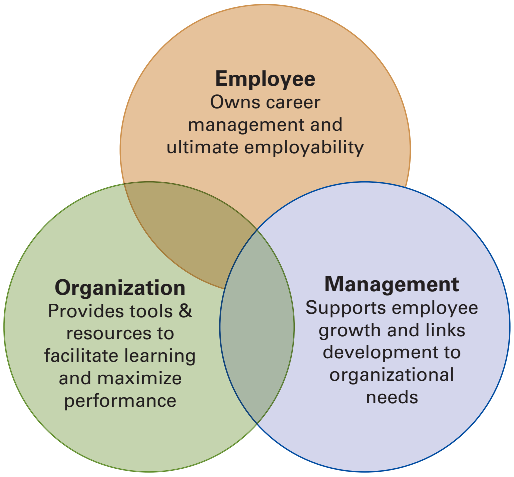

Employee
Owns career management and ultimate employability
Organization
Provides tools & resources to facilitate learning and maximize performance
Management
Supports employee growth and links development to organizational needs

Exhibit 9-2
Career Development

Meaningful career development is a shared responsibility between the employee, management, and the organization.[13]

The Employee Role in Career Development

It is more important today than ever for employees to take responsibility for career development. The organization may define career success as achieving promotions and higher income, but employees may have different measures of success. To the employee, success may mean using skills and abilities to face expanded challenges, or having greater responsibilities, and increased autonomy. Employees are increasingly wanting more than just a salary and security from their jobs. Intrinsic rewards such as rewarding and meaningful work, challenging tasks, or a sense of accomplishment can be strong drivers of employee engagement and retention. Employees need to be aware of personal career motives and expectations for career success. Personal goals and organizational goals may differ, making it important for employees to take responsibility for personal career development. Management and HRM may have a strong commitment to developing talent and career management, but can't be expected to know the perfect plan for every employee. There are several ways employees can take responsibility for personal career development including the following:

Get Involved Get the most out of career development activities by asking questions, reading, participating in discussions, taking notes, and practicing new skills. Learning isn't a passive process.

Be Visible Seek assignments that are important and showcase your abilities. Find ways to be useful to people who are willing to share credit.

Explore Career Planning Resources Approach managers and HRM about career planning resources in the organization. If the organization has very few tools for determining career goals and interests, college career planning services and online resources can provide a multitude of assessments and resources.

Develop a Network of Professional Contacts Establish a network to help develop professional skills, industry knowledge, and gain access to opportunities for advancement within or outside the organization. Current and past managers, employers, and teachers are a good place to start. They may be able to direct you to others who are willing to share expertise and information. Local chapters of professional organizations such as AMA and SHRM are good sources.

Traditional Career Stages

One traditional way to analyze and discuss careers is to consider them in stages or steps that progress from a beginning point through growth and decline phases to retirement. We can identify four career stages typical for most adults, regardless of occupation: exploration, establishment, mid-career, and late career. People start new careers and go back to college at any age for a variety of reasons, so ages are not included.

Exploration

Career exploration begins at a young age as we are influenced by relatives, teachers, friends, and media. Many of those impressions don't bear much resemblance to reality. We often figure this out when researching career choices in school or selecting a major in college. The **exploration stage** begins when we first start considering what we want to be when we grow up and ends for most of us as we make the transition from formal education programs to work. This stage has the least relevance to organizations because it occurs prior to employment.

exploration stage
A career stage that usually ends in the mid-20s as one makes the transition from school to work.

In the exploration stage, we form our attitudes toward work (doing homework, meeting deadlines, taking or avoiding short-cuts, and attendance) and our dominant social relationship patterns (easygoing, domineering, indifferent, likable and obnoxious).

Exploration	Establishment	Mid-career	Late career
• Self-assessment • Career research • Transition from school to work	• Getting first job • Building career	• Career progress may: - Grow - Plateau - Decline	• Recognized experience and accomplishments • Transition to retirement

Exhibit 9-3
Career Stages

A traditional view of careers is to pass through four stages before reaching retirement.

Successful career exploration strategies involve extensive self-assessment and investigation of many career areas to see what you like or don't like. College internships and cooperative education programs are excellent exploration tools to help you try the career in a realistic setting. Some successful internships will even lead to job offers. From a career stage perspective, any internship that helps you realize you're bored to death with the work is also a successful one.

Establishment

The **establishment stage** begins with the search for work and includes experiences involved in building a career such as part-time, temporary, contract, or full-time employment. It also includes building a professional network, learning the job, and gaining the first tangible evidence of success or failure in the real world. Individuals in this stage have yet to reach their peak productivity and rarely receive work assignments that carry great power or high status. Careers take a lot of time and energy and often involve a sense of growth, expectation, or anticipation.

establishment stage
A career stage in which one begins to search for employment in a chosen career.

Establishing a career may involve part-time, temporary, contract, or full-time employment.

Mid-Career

Many people do not face their first severe career dilemmas until they reach the **mid-career stage**. Here, individuals may continue their prior improvements in performance, level off, or begin to deteriorate. Remaining productive can be a major challenge of this career stage, and career progression ceases to be as clear as it was in the exploration and establishment phases. Some employees reach their early goals and seek new promotions or responsibilities. Others may decide to completely change career directions.

Maintenance, or holding onto what you have, is another possible outcome of the mid-career stage. **Plateaued mid-career stage** employees can be highly productive and competent but may not have the desire to commit to additional responsibilities. The third option for mid-career deals with the employee whose performance begins to deteriorate. This stage for this kind of employee is characterized by loss of both interest and productivity at work. Organizations are often limited to relegating such individuals to less conspicuous jobs, reprimanding them, demoting them, or severing them from the organization altogether. Smart organizations will realize that individuals can be reenergized by additional training, responsibilities, moving them to another position in the organization, or other development activities. This can boost their morale and their productivity.

mid-career stage
A career stage marked by continuous improvement in performance, leveling off in performance, or beginning of deterioration in performance.

plateaued mid-career stage
Promotion beyond one's current job becomes less likely.

Late Career

The last stop before retirement is the **late-career stage**. Many employees in this stage choose to remain productive and involved, enjoying the role of mentor and consultant to younger employees who wish to continue their career with the organization. Their value to the organization typically lies heavily in their judgment, built up over many years and through varied experiences. Others begin to slow down, reduce responsibilities, and plan for retirement, although an increasing number of workers are choosing to remain in

late-career stage
Productivity and involvement may include being a mentor and consultant, or transitioning to retirement.

CONTEMPORARY CONNECTION

Where Are the Jobs?

Many individuals who are at the beginning of a career search often ask the obvious question: Where are the jobs? Many factors influence that answer, including the economy, technology, and globalization. Although having a solid foundation of communications, technology, and people skills is critical, even these skills need to be focused on where the demand for jobs exists. So, which fields have these jobs, and which ones are declining? The Bureau of Labor Statistics keeps an annual list:[16]

Fastest Growing Occupations Projected Through 2022 by the Bureau of Labor Statistics

- Industrial—organizational psychologists
- Personal and home care aides
- Insulation workers
- Interpreters and translators
- Diagnostic medical sonographers
- Occupational and physical therapy assistants
- Genetic counselors
- Skin care specialists

Occupations Showing the Biggest Declines through 2018 by the Bureau of Labor Statistics

- Postal service clerks, mail sorters, and processing machine operators
- Semiconductor processors
- Sewing machine operators
- Word processors and typists
- Drilling and boring machine tool operators
- Farmers and ranchers

the workforce past traditional retirement age. Reasons may include income, keeping their company-sponsored health benefits, taking advantage of flexible work hours offered by their employers, or the desire to phase into retirement gradually. Many just enjoy the social aspects of working, or love their jobs and don't want to retire.[14]

Many employers recognize the experience and productivity that older workers bring. Mature workers have developed critical thinking skills necessary for uncertain and unstructured problems. Principal Financial Group, as explained in the chapter opener, keeps late-career employees involved with leadership training, overseas assignments, and opportunities to work in a nonprofit organization for several months. Recently, retired employees are encouraged to work part time with no reduction in retirement benefits. Companies such as CVS Pharmacies place a priority on hiring older workers, finding that their customer service orientation and their ability to relate to the drugstore chain's mature customers results in significant customer loyalty.[15]

Personality Style and Career Fit

The best career choice offers the best match between what you want and what you need. Good career choice outcomes for any of us should produce a series of positions that give us an opportunity for good performance, make us want to maintain our commitment to the field, and give us high work satisfaction. A good career match lets us develop a positive self-concept and do work that we think is important.[17] Let's look at some of the existing research that can help you discover which careers may provide the best match for your skills.

Holland Vocational Preferences

Holland vocational
Represents an individual occupational personality as it relates to vocational themes.

One of the most widely used approaches to guide career choices is the **Holland vocational** preferences model.[19] This theory consists of three major components. First, Holland found that people have varying occupational preferences; we do not all like to do the same things. Second, his research demonstrates that if you do a job you think is important, you will be a more productive employee. Personality of workers may be matched to typical work environments where that can occur. Third, you will have more in common with people who have similar interest patterns and less in common with those who don't. For instance, Karen hates her job; she thinks it is boring to waste her time packing and unpacking trucks on the shipping dock of a manufacturing firm and would rather be working with people in the recruiting area. Pat, on the other hand, enjoys the routine of her work; she likes the daily rhythm and the serenity of loading and unloading the warehouse. Karen and Pat feel differently about the same job. Why? Their interests, expressed as occupational interests, are not compatible.

The Holland vocational preferences model identifies six vocational themes (realistic, investigative, artistic, social, enterprising, and conventional) presented in Exhibit 9-4. An individual's occupational personality is expressed as some combination of high and low scores on these six themes. High scores indicate that you enjoy those kinds of activities. Although it is possible to score high or low on all six scales, most people are identified by three dominant scales. The six themes are arranged in the hexagonal structure shown in Exhibit 9-5. This scale model represents the fact that some of the themes are opposing, while others have mutually reinforcing characteristics.

For instance, Realistic and Social are opposite to each other in the diagram. A person with a realistic preference wants to work with things, not people. A person with

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Medical sonographers are among the fastest growing careers through 2018, according to the Bureau of Labor Statistics.

- **Realistic** Rugged, robust, practical, prefer to deal with things rather than people. Prefers outdoor jobs with little paperwork. Best job matches are Agriculture, Nature, Adventure, Military, Mechanical.
- **Investigative** Scientific, task-oriented, prefer abstract problems, prefer to think through problems rather than to act on them, not highly person-oriented, enjoy ambiguity. Corresponding jobs are Science, Mathematics, Medical Science, Medical Service.
- **Artistic** Enjoy creative self-expression, dislike highly structured situations, sensitive, emotional, independent, original. Corresponding jobs are Music/Dramatics, Art, Writing.
- **Social** Concerned with the welfare of others, enjoy developing and teaching others, good in group settings, extroverted, cheerful, popular. Corresponding jobs are Teaching, Social Service, Athletics, Domestic Arts, Religious Activities.
- **Enterprising** Good facility with words, prefer selling or leading, energetic, extroverted, adventurous, enjoy persuasion. Corresponding jobs are Public Speaking, Law/Politics, Merchandising, Sales, Business Management.
- **Conventional** Prefer ordered, numerical work, enjoy large organizations, stable, dependable. Corresponding job is Accountant, Actuary, Economist, Pharmacist.[18]

Exhibit 9-4
Holland's General Occupational Themes

These six types of work, environments as explained by Holland, help job seekers match their personality to a compatible profession. Many vocational preference tests are based on Holland's typology. Which look appealing to you? Which do you think best fits a career in human resource management?

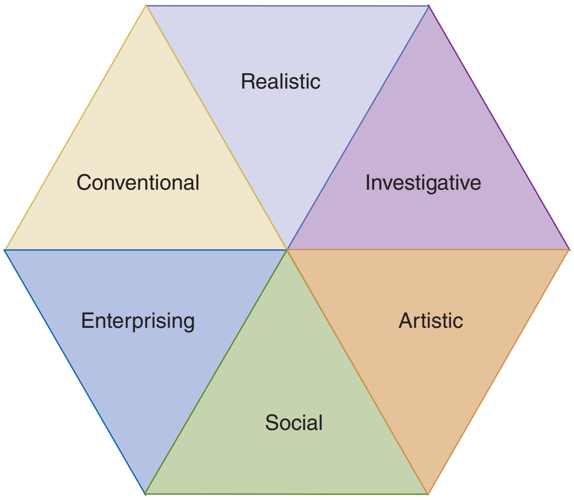

Exhibit 9-5
Structure of Holland's Themes

The Holland occupational themes are arranged so that themes that reinforce each other are next to each other and themes that are not compatible are opposite.

a social preference wants to work with people, no matter what else they do. Therefore, they have opposing preferences about working alone or with others. Investigative and Enterprising are opposing themes, as are Artistic and Conventional preferences.

An example of mutually reinforcing themes is the Social–Enterprising–Conventional (SEC) vocational preference structure. Sophia, for example, likes working with people, being successful, and following ordered rules. That combination is perfect for someone willing to climb the ladder in a large bureaucracy. What about Ryan? He's Realistic Investigative-Artistic, preferring solitary work to large groups, asking questions to answering them, and making his own rules instead of following someone else's. How does Ryan fit into a large bureaucracy? Some may think his preferred actions label him as a troublemaker. He might fit better in a research lab—both the scientist preference and the research lab environment are characterized by lack of human interruptions and concentration on factual material. That's consistent with the Realistic Investigative-Artistic profile.

The Schein Anchors

Edgar Schein has identified anchors, or personal value clusters, that may be satisfied or frustrated by work. When the worker holds a particular combination of these personal value clusters (technical–functional competence, managerial competence, security–stability, creativity, and autonomy–independence) and the organization characteristically offers them, that person is "anchored" in that job, organization, or industry.[23]

Most people have two or three value clusters that are important to them. If an organization satisfies two out of three, that is considered a stable match. For instance, Aaron is a recent college graduate. He wants to use his human resources degree. His father was laid off when his organization downsized last year, and Aaron never wants to deal with that type of uncertainty. Schein would describe Aaron's anchors as technical competence and security stability. His current job choices are marketing on a commission basis for a credit card company or recruiting for an established and growth-oriented home health

proactive personality
Individuals who are more prone to take actions to influence their environment.

TIPS FOR SUCCESS

Entrepreneurship: Building Your Own Career

Think of someone who is an entrepreneur. Maybe it's someone you know personally or someone you've read about such as Mark Zuckerberg of Facebook, Richard Branson of Virgin Group, or Oprah Winfrey of Harpo, Inc. How would you describe this person's personality?

One of the more researched areas of entrepreneurship has been determining what, if any, psychological characteristics entrepreneurs have in common, what types of personality traits might distinguish them from nonentrepreneurs, and what traits among entrepreneurs might predict who will be successful.

Is there a classic entrepreneurial personality? Although pin-pointing specific personality characteristics that all entrepreneurs share is difficult, this hasn't stopped entrepreneurship researchers from searching for common traits.[20] Most lists of common personality characteristics of entrepreneurs include the following: high level of motivation, abundance of self-confidence, ability to be involved for the long term, high-energy level, persistent problem solver, high degree of initiative, ability

A recent development in defining entrepreneurial personality characteristics was the proposed use of a **proactive personality** scale to predict an individual's likelihood of pursuing entrepreneurial ventures. Proactive personality describes individuals more prone to take actions to influence their environment.[22] An entrepreneur is likely to exhibit proactivity as he or she searches for opportunities and acts to take advantage of those opportunities. Various items on the proactive personality scale appear to be good indicators of a person's likelihood of becoming an entrepreneur. These include education and having an entrepreneurial parent.

Things to think about:

Would you consider becoming an entrepreneur or working for one? Which of Holland's General Occupational Themes, Schein Anchors, or Myers-Briggs Typologies seem to best describe entrepreneurs? Which ones best describe you?

services firm. Which job should he take? Based on his combination of value clusters, the recruiting job currently appears to better match Aaron's preferences.

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What vocational preferences might this surgeon have? According to Holland, this individual more than likely is investigative (scientific) with an artistic flare. Our preferences make certain careers appear more likely ones that we will enjoy, as well as be more productive in.

The Myers-Briggs Typologies

One of the more widely used methods of identifying personalities is the Myers-Briggs Type Indicator (MBTI®).[24] The MBTI uses four dimensions of personality to identify 16 different personality types based on responses to an approximately 100-item questionnaire (see Exhibit 9-5). More than 2.5 million individuals each year in the United States alone take the MBTI.[25] It's used in companies such as Apple, Honda, AT&T, Exxon, and 3M, as well as many hospitals, educational institutions, and the U.S. armed forces.

The 16 personality types are based on the four dimensions noted in Exhibit 9-5. That is, the MBTI dimensions include extroversion versus introversion (EI), sensing versus intuitive (SN), thinking versus feeling (TF), and judging versus perceiving (JP). The EI dimension measures an individual's orientation toward the inner world of ideas (I) or the external world of the environment (E). The sensing-intuitive dimension indicates an individual's reliance on information gathered from the external world (S) or from the world of ideas (N). Thinking–feeling reflects one's preference of evaluating information in an analytical manner (T) or on

Exhibit 9-6

Characteristics Frequently Associated with Myers-Briggs Types

The Myers-Briggs Type Indicator or MBTI is used in many organizations to determine how employees will interact and solve problems.

		Sensing Types S		Intuitive Types N	
		Thinking T	**Feeling F**	**Feeling F**	**Thinking T**
Introverts I	**Judging J**	**ISTJ** Quiet, serious, dependable, practical, matter of fact. Value traditions and loyalty	**ISFJ** Quiet, friendly, responsible, thorough, considerate. Strives to create order and harmony	**INFJ** Seek meaning and connection in ideas. Committed to firm values. Organized and decisive in implementing vision	**INTJ** Have original minds and great drive for their ideas. Skeptical and independent, have high standards of competence for self and others
	Perceiving P	**ISTP** Tolerant and flexible. Interested in cause and effect. Value efficiency	**ISFP** Quiet, friendly, sensitive. Likes own space. Dislikes disagreements and conflicts	**INFP** Idealistic, loyal to their values. Seek to understand people and help them fulfill their potential	**INTP** Seeks logical explanations. Theoretical and abstract over social interactions. Skeptical, sometimes critical. Analytical
Extroverts E	**Perceiving P**	**ESTP** Flexible and tolerant. Focus on here and now. Enjoy material comforts. Learn best by doing	**ESFP** Outgoing, friendly. Enjoy working with others. Spontaneous. Learns best by trying a new skill with other people	**ENFP** Enthusiastic, imaginative. Wants a lot of affirmation. Relies on verbal fluency and ability to improvise	**ENTP** Quick, ingenious, stimulating. Adept at generating conceptual possibilities and analyzing them strategically. Bored by routine
	Judging J	**ESTJ** Practical, realistic, matter of fact, decisive. Focus on getting efficient results. Forceful in implementing plans	**ESFJ** Warmhearted, cooperative. Wants to be appreciated for who they are and for what they contribute	**ENFJ** Warm, responsive, responsible. Attuned to needs of others. Sociable, facilitates others, provides inspirational leadership	**ENTJ** Frank, decisive, assumes leadership. Enjoys long-term planning and goal setting. Forceful in presenting ideas

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the basis of values and beliefs (F). The judging–perceiving index reflects an attitude toward the external world that is either task completion oriented (J) or information seeking (P).[26]

How can the MBTI help managers? Proponents of the instrument believe that it's important to know these personality types because they influence the way people interact and solve problems. For example, if your boss is an intuitor and you are a sensor, you will each gather information in different ways. An intuitor prefers gut reactions, whereas a sensor prefers facts. To work well with your boss, you must present more than just facts about a situation; you must discuss how you feel. The MBTI has been used to help managers match employees with jobs. For instance, a marketing position that requires extensive interaction with outsiders would be best filled by someone who has extroverted tendencies. Also, MBTI has also been found useful in focusing on growth orientations for entrepreneurial types.[27]

Taking Responsibility for Building Your Career

Consider managing your career like an entrepreneur managing a small business. Think of yourself as self-employed, even if you work in a large organization. In a world where most of us are "free agents," the successful career requires you to maintain flexibility and keep skills and knowledge up to date. The following suggestions are consistent with the view that you, and only you, hold primary responsibility for your career.

Know Your Strengths and Weaknesses. What talents can you bring to an employer? Personal career planning begins by being honest with yourself.

Manage Your Reputation. Let others both inside and outside your current organization know about your achievements. Clean up your online profile on social media sites such as Facebook, Twitter, Instagram, Tumbler, or Google+ and include activities employers find desirable such as volunteer activities. Join professional network-

TIPS FOR SUCCESS

Internships: Experience at Work

Your dream job is out there. The trouble is, it probably requires more experience than you have right now. Getting the right type of experience is a little easier if you're open to being an intern. Many college programs either require or encourage internships in most career fields, including Human Resource Management. They typically run for at least 3 months and can last up to a year. During difficult economic times, internships have become increasingly popular as companies demand more of applicants.[28] College students and recent graduates are the most common internship candidates, but older workers seek internships to change careers, update skills, or land a full-time job.[29]

Internships give job seekers a chance to demonstrate that they not only have experience but also have relevant job skills. And interns can get references from supervisors who have seen them in action. Many employers have formal internship programs that not only train employees for jobs, but also incorporate career development programs with training in leadership and collaboration with the goal of hiring the intern at the end of the internship or upon college graduation. Competition for the best internships can be fierce.

Campbell Mithun, an advertising agency in Minneapolis, Minnesota requires applicants for their "Lucky 13" 10-week paid internship program to apply by submitting ideas on a unique idea with creative proposal. HR Vice President Debbie Fischer is proud and pleased with the results of the search. "We've been wanting to shake up the process for some time,"[30] reports Fischer. Most Lucky 13 interns are offered full-time jobs at the agency that represents Chipotle, Pandora, Betty Crocker, and General Mills. Take a look at a summary of the ideas submitted by the selected interns on the Lucky 13 Internship Highlights Reel posted on YouTube.

Things to think about:

Although competition for the best internships is fierce, competition for the best interns is a challenge for HR, too. Campbell Mithun has created an innovative way to attract interest. How would you recruit the best internship candidates for an HR position?

ing sites such as LinkedIn and ask colleagues to post recommendations.

Build and Maintain Network Contacts. Contacts are essential to getting great jobs. Develop a professional network that can help you learn about career opportunities. Start with people you know and ask them for suggestions of contacts that would be helpful in getting established in your career. Join national and local professional associations and attend conferences. Develop a short statement (sometimes called an elevator pitch) to use that describes the type of position you seek and a strength that helps you stand out, similar to this: "I'm a management major at State U. with a minor in Human Resource Management and I'm looking for a summer internship. I've volunteered with the college recruiters as a registration and orientation student assistant for 2 years and would like to start as a corporate recruiter when I graduate." Keep in touch with new contacts with a short thank you note (yes, many people still prefer written notes) or e-mail. Ask permission before requesting a connection on social media.

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Internships provide a wealth of experience for college students and give a taste of the world of work. This can be crucial in the transition from school to work.

Get an Internship. Organizations often want individuals who have some experience and show initiative. Internships are a great way to do both. Many universities today not only offer internships as part of their curriculum but also require some type of job experience to fulfill their degree prerequisites. Even if your program doesn't require an internship, seek one anyway. Internships offer you a chance to see what the work is really like, better understand an organization's culture, and to see if you fit well into the organization. And although no guarantees are given, many organizations extend job offers to outstanding interns.

Keep Current. Develop specific skills and abilities in high demand. Avoid learning only organization-specific skills that don't quickly transfer to other employers.

Document Your Achievements. Employers are interested in what you've accomplished rather than the titles you've held. Seek jobs and assignments that provide increasing challenges and offer objective evidence of your competencies.

Keep Your Options Open. Keep your network current and your resume up to date. You never know when your group will be eliminated, your department downsized, your project canceled, or your company acquired in a takeover. "Hope for the best but be prepared for the worst" may be a cliché, but it's still sound advice.

Summary

(This summary relates to the Learning Outcomes identified on page.) After having read this chapter, you can

1. **Differentiate between career development and employee development.** Employee development is focused on personal growth in ways that help the organization, and it often involves the leadership skills necessary to advance or succeed as a manager. Career development takes a broader perspective and includes activities that help an employee explore personal interests, explore career paths, and identify career goals that are appropriate for the individual employee.
2. **Explain the role of the organization in employee career development.** The organization assists employee career development by providing a clear link between organizational strategy and job descriptions, clearly defined career paths good communication of career opportunities, defined skills and behaviors necessary for positions on every level in the organization, and training for employees that promotes skill development and informed career choices.

3. **Identify the role of managers in employee career development.** Managers provide career information, guidance, and connect employees with career development resources and activities.
4. **Outline employee responsibilities for career development.** Employees need to take responsibility for understanding personal career expectations and take advantage of career development activities.
5. **Explain the four typical career stages.** Exploration stage includes assessing career expectations, researching careers, and gaining career skills. Establishment stage involves building a career though early employment opportunities. In the mid-career stage, employees either grow, plateau, or decline in responsibilities. Late career is the last stage before retirement. Employees may stay active and involved, sharing experience and expertise, or slow down and prepare for retirement.
6. **Describe the relationship among personality, career choice, and fit.** Several ways to classify personality and preferences in work environment exist including Holland Vocational Preferences, Schein Anchors, and Myers-Briggs Typologies. Matching personality style and work environment with jobs that best utilize personality strengths and preferences in work environment increase employee job satisfaction.
7. **Identify several suggestions for effective personal career management.** Some suggestions for managing your career include know yourself, manage your reputation, build and maintain network contacts, get an internship, keep current, document your achievements, and keep your options open.

Key Terms

career
career development
establishment stage
exploration stage
Holland vocational preferences model
late-career stage
mentoring or coaching
mid-career stage
plateaued mid-career
proactive personality

HRM Workshop

Reviewing Important Concepts

1. Explain how and why employee development and career development activities overlap. (LO 1)
2. Rank the four career development stages in order of increasing employer responsibility and involvement. Explain your choices. (LO 5)
3. Identify the Holland vocational preferences and explain the importance of this model in determining the best job fit. (LO 6)
4. What is a mentor and how do you go about finding one? (LO 3, 4, 5)

Evaluating Alternatives

5. Review the elements of Samsung's Global Services Group and Regional Specialists program in Chapter 5 and on the Samsung website. Explain the benefits to Samsung and to the participants. Which program do you feel would offer the greatest advantages for participants? Why? (LO 2, 4, 7)
6. After reviewing the chapter opener describing the efforts of Principal Financial Group to help employees manage their careers, explain which of the company's initiatives you feel is the most valuable and why. Suggest additional career development activities aimed at encouraging mid-career stage workers to continue to grow rather than plateau or decline. (LO 2, 3, 4, 5, 7)

Research and Communication Skills

7. Identify four different individuals that are in four different career stages. Interview them about their feelings about their career at their current stages, including their career satisfaction and frustrations. What career development activities do they participate in? What suggestions can you make for additional career development activities that would be appropriate for each? Report your findings in a 5- to 10-minute presentation of your findings to your class using three to five slides or video clips of your interviews. (LO 2, 3, 4, 5, 7))
8. Visit your college career planning center and ask to take a career guidance survey or find an online career guidance survey at a career site such as CareerBuilder.com or Monster.com. Next, take an online personality assessment that uses the Myers-Briggs Typologies. After completing the surveys, compare the results and explain the insights you've gained into your career preferences. What careers seem most appropriate? Prepare a two-page paper explaining your results, insights, and thoughts. (LO 6)
9. In a small group of three to five students, assist each other to prepare an "elevator pitch" to use in your job search. Practice presenting your pitch to your group until it sounds effective and sincere. (LO 4, 7)

Making a Difference SERVICE LEARNING PROJECTS

Career management encompasses an employee's work experience from the first day until retirement and sometimes beyond.

- Volunteer with an organization such as Big Brothers Big Sisters that establishes mentoring programs for youth.
- Volunteer as a peer mentor to freshmen or new students on campus.
- Contact your college HR department to see if they need student volunteers for HR tasks or assist with activities they have for retired employees.
- Start a clothing drive in association with local women's groups or SHRM chapter to collect professional clothing for women in job training programs who are re-entering the workforce.
- Establish a relationship with a local senior citizens' center and assist with their programs such as holiday parties or Veteran's Day observance.

As you put your service learning experience together, keep a journal of your activities, the time you spend, contact information for people you work with, and your thoughts about the process. When you're finished, make a presentation to your class about the experience and what you learned. What concepts from Chapter 9 were you able to apply?

Case Application 9-A PREPARING FOR THE FUTURE AT WESTERN STATES

Sela Jordan, HR Director for Western States Mortgage, was confused and concerned when her company didn't receive recognition at an awards luncheon yesterday. Today, she's called in her two person staff to develop a plan to make sure that it doesn't happen again.

A few weeks ago, the local newspaper sent out an employee survey for organizations that wanted to be considered for the community's "50 Best Employers." Jordan expected Western States to be included since they are one of the ten largest employers in the area and have generous employee benefits. When results were announced at a luncheon for executives of the employers included in the survey, Jordan was shocked to find that Western didn't make the list. The survey results provided to her following the luncheon indicated that employees felt that the pay was fair, benefits were good, and the culture was warm and friendly. What she didn't expect were many comments that there was little opportunity for career advancement, and that the company seemed unconcerned about employees' growth within the company.

During the recession, Western States Mortgage suffered the same financial problems that affected many lenders. They survived by making severe cuts in every department including the HR department, who was forced to eliminate most employee development and career development activities. The main reason was a shortage of HR staff and budget, but it also seemed pointless to spend time and effort on career development in the midst of layoffs in nearly every department, and reduced opportunities for advancement. In the last 2 years, Western States has slowly climbed back to financial stability and has recently hired a large number of new employees keeping the HR department busy with recruiting, onboarding, and training activities.

After reading the survey results, Jordan reviewed the succession plans created before the recession and found that most of the employees that had been considered to replace top managers were gone. The recession decimated the ranks of the mid-level managers and supervisors, leaving few with the experience or leadership skills to take over. Adding to her concern, many senior managers are now in their mid- to late-50s and approaching the late-career stage if they aren't already there.

Jordan and her small staff have established these goals for their new career development plan: (1) identify and develop young managers with the potential to move into senior management positions in the next 5–10 years, (2) communicate career opportunities to nonmanagement employees, and (3) keep the current senior managers engaged and productive. "In addition to those important goals," Washington told her staff, "we're going to make the top 10 on that list next year!"

Questions:

1. In what ways can mentoring and coaching help accomplish Western State's Career Development goals? (LO 3, 5)
2. How will Western States benefit from a successful career development program in addition to getting on the "Best Employers" list? (LO 1, 2)
3. How can Western States improve communication about careers and career development opportunities? (LO 2)

4. Create a fourth goal for the career development plan and explain why it's important. (LO 1, 2, 3)
5. **Research**: If finances at Western states don't allow tuition reimbursement or paying for outside training programs, what career development activities in addition to mentoring might be appropriate for employees interested in mid- and senior-level management positions? Start with examples from this chapter, then search online for examples from organizations you admire or would like to work for. Summarize your results and include your sources. (LO 1, 2, 3, 4, 5)

Case 9-B WALMART BOOT CAMP

Several years ago, Walmart realized that they were capable of building new stores faster than they were able to prepare new store managers. They also realized that in addition to the skills necessary to operate a large Supercenter, store managers needed the ability to think critically and make decisions under pressure. To develop these skills, Walmart turned to a global consulting firm, McKinney Rogers, to create a leadership academy based on military training similar to boot camp.

Walmart isn't alone in their concern for new leaders. A recent survey indicates that nearly 40 percent of first-time leaders fail. The number one reason is a lack of training in interpersonal skills, including listening, empathizing, and involvement.[31] Without these skills, success is a struggle.

The leadership academy career development program at Walmart pulls high-potential employees that are currently store managers, merchandising managers, operations managers, and shift managers out of their jobs for 2 weeks at a time for activities designed to help them relate to employees, solve problems, and work under pressure. After 2 weeks, they return to their stores for 2 weeks, then return to training for 2 weeks, repeating the cycle four times. Activities include boot camp style exercises, decision simulations, and community service projects such as building homes for low-income families or volunteering at children's hospitals.

Over 500 managers have graduated from the leadership academy, and 74 percent of the graduates have been promoted at least one level within 18 months of graduation.[32] Those selected for the program report feeling valued and empowered, knowing their promotion potential increases dramatically following completion of the academy. One participant felt that the program was so valuable, she's now one of the directors of the academy, explaining "The leadership academy is not a one-time thing. It's designed to help leaders progress in their careers at Walmart."[33]

Questions:

1. What value does the leadership academy offer to the individual in terms of career development? (LO 2, 4, 5)
2. In what ways does the leadership academy benefit Walmart in addition to increasing the number of managers capable of running a supercenter? (LO 2, 5)
3. What characteristics would you look for to identify "high potential" employees to participate in the leadership academy? (LO 6)
4. **Research**: Look for examples of other companies that have established leadership academies. In what ways are they similar or different from Walmart? What are their objectives? How successful are they? Would you consider participating in a leadership academy? (LO 1, 2, 3, 5)

10

Establishing the Performance Management System

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There's no doubt that many managers dislike evaluating employees. In fact, one survey indicates that managers dread it as much as firing an employee. Does it make sense to eliminate appraisals altogether? But how would employees know how they are doing? How would raises be determined? How would slackers find out how they need to shape up? How would star performers be recognized?

It may sound extreme, but a growing number of critics are advocating the elimination of yearly evaluations. Critics claim that annual feedback isn't relevant to younger workers accustomed to frequent, nearly instant feedback via social media. Furthermore, brain research indicates that workers process criticism emotionally rather than rationally, reducing the effectiveness of the feedback.[1,2]

Apple Inc., Zappos, and SAS have all ditched traditional performance appraisals in favor of nontraditional evaluations that include increasing the role of the manager as coach and providing more frequent feedback. They've found success by emphasizing personal development and recognizing behaviors that embody core values or accomplish meaningful goals.[3] Focusing on these behaviors tends to increase intrinsic motivation and loyalty, and promotes better communication with managers more than comparing more quantifiable performance measures such as meeting sales goals or company profits.

Looking Ahead

Are performance reviews more trouble than they are worth? What would you use in their place? In your opinion, why don't more employers have an effective performance appraisal process?

LEARNING OUTCOMES

After reading this chapter, you will be able to:

1. Identify the four purposes of performance management systems and whom they serve.
2. Explain the six steps in the appraisal process.
3. Discuss absolute standards in performance management systems.
4. Describe relative standards in performance management systems.
5. Discuss how management by objective (MBO) can be used as an appraisal method.
6. Explain why performance appraisals might be distorted.
7. Identify ways to make performance management systems more effective.
8. Explain the criteria for a successful performance appraisal meeting.
9. Discuss how performance appraisals may differ in a global environment.

Introduction

An effective performance management system has many moving parts that take a considerable amount of training and coordination to work correctly. It may involve a 5-minute informal discussion between employees and their supervisors or a more elaborate, several-week process involving many specific steps. Results of the process may lead to increased pay, a promotion, warnings about substandard performance, or assistance in personal development areas for which the employee needs some training. When completed effectively, performance appraisals are a powerful tool for employee engagement and development, but frequently the process is administered so poorly that it does more harm than good.

Even critics of performance management systems agree that employees need performance feedback in some form. This chapter will explain the purpose and strategic nature of performance management systems, steps leading to an effective appraisal process, as well as the potential problems that may occur.

Purposes of Performance Management Systems

Performance management systems involve many activities. The performance appraisal is the most easily identifiable, but it's just part of a system that seeks to motivate employees to maximum performance by evaluating the employee's effort on the job, comparing it to standards, and using those results to help employees improve. We'll start with the purposes of the system and move on to potential problems.

You probably entered your Human Resource Management class with the intent of learning a lot and getting a good grade. In order to do that, you needed to know the learning goals or competencies for the course, the timeframe for accomplishing those goals, the method of evaluation to be used, and the level of competence you would need to achieve to get the grade you wish. How difficult would it be if your class had no learning goals, no timeframe for learning the material, no evaluation from the professor, and no grading scale? You might get frustrated by the lack of goals and feedback, and even be suspicious that the evaluation of your effort might be unfair or biased. Employees aren't much different. They start a job wanting to do well, but they need to know their performance goals, how long they have to accomplish those goals, how they will be evaluated, that the evaluation will be fair, and the level of competence they need to achieve. This example highlights two important purposes of the appraisal process, goal setting and feedback.

Performance appraisals are the evaluation instrument that provides feedback to employees on how well they have progressed toward achieving the goals of their position. Often these goals and performance measures are mutually set between the employee and the supervisor. The feedback provided by the performance appraisal regarding an employee's effort and its effect on performance is important for two additional purposes, motivation and employee development. Going back to our example of your HR class, suppose a student does well on tests and case assignments, but just doesn't do a very good job of participating in class. If class participation is a significant part of the class grade, the student's grade and motivation would benefit from some advice from the professor on how much participation is expected, how his current level of participation is affecting his grade, and how the student can improve on this aspect of the class goals.

Jacob Wackerhausen/iStockphoto

The performance appraisal process also provides **documentation** of an employee's performance. This becomes important to prove that discipline or dismissal were the result of documented performance issues that were communicated to the affected employee. In Chapter 3, we discussed Equal Employment laws (EEO) and the need to make sure that all HRM decisions are job related. Those job-related measures must be performance-supported when an HRM decision affects current employees. For instance, suppose a supervisor cites performance matters as the reason for terminating an employee, but recent performance appraisals indicate that performance was satisfactory for the past two review periods. Unless there is proper documentation that the employee's performance significantly decreased since the most recent appraisal and efforts were made to correct the performance deficiency, there is little to support the supervisor's decision if the employee protests the termination. Documentation is absolutely critical to ensure that employees are treated fairly and to protect the organization from claims of discrimination or retaliation.

The feedback provided by the performance appraisal regarding an employee's effort and its effect on performance is important for motivation and employee development.

documentation
A record of performance appraisal process outcomes.

The Appraisal Process

The appraisal process is a way to focus communication on how effectively an employee's effort helps to accomplish organizational objectives. It starts with a well-designed job and clearly communicated performance standards as illustrated in Exhibit 10-1 and results in recognition of effort or assisting the employee to redirect effort in more efficient ways to achieve the objectives.

Establish Performance Standards

The appraisal process (Exhibit 10-1) begins with the establishment of performance standards in accordance with the organization's strategic goals. These should evolve out of the company's strategic direction, the job analysis, and the job description discussed in Chapter 5. These performance standards should also be clear and objective enough to be understood and measured. Too often, standards are subjective or unclear such as "meets expectations" or "needs improvement." A supervisor's expectations of employee work performance must be clear enough in her mind so that she will be able to communicate these expectations to her employees, mutually agree to specific job performance measures, and appraise performance against these established standards.

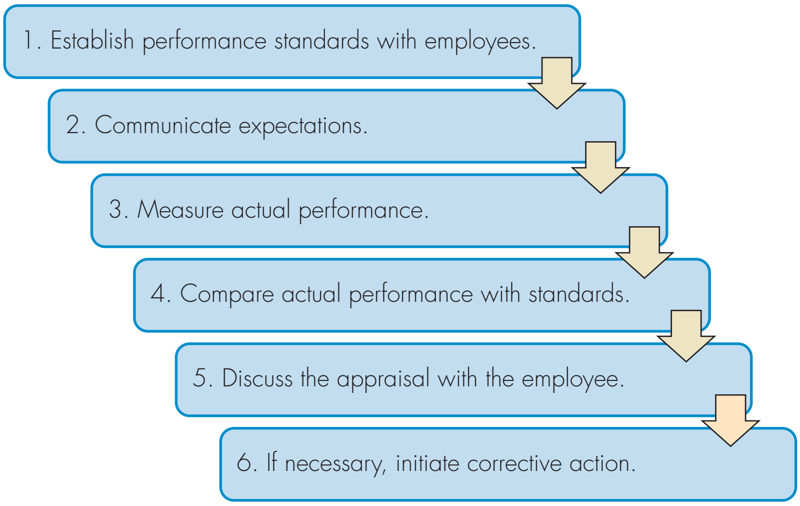
1. Establish performance standards with employees.
2. Communicate expectations.
3. Measure actual performance.
4. Compare actual performance with standards.
5. Discuss the appraisal with the employee.
6. If necessary, initiate corrective action.

Exhibit 10-1
The Appraisal Process

The appraisal process evaluates employee performance by measuring progress toward goals.

Communicate Expectations

Once performance standards are established, it is necessary to communicate these expectations; employees should not have to guess what is expected of them. This starts with initial job training and should be revisited frequently if quality production or service is expected. Expectations and standards should be communicated in a variety of ways. Written instructions, videos, and demonstrations may be used in initial training and as periodic reminders. In addition to communication from HR and supervisors, many organizational cultures and quality programs encourage peers to remind each other of performance expectations.

Measure Actual Performance

Next, we need to determine what should be measured and how it should be measured. Many job elements like productivity may be easy to measure, but some important skills can be difficult to measure objectively such as soft skills like teamwork, communication, and leadership.

Four common sources of information frequently used by managers address how to measure actual performance: personal observation, statistical reports, oral reports, and written reports. Each has its strengths and weaknesses; however, a combination of them increases both the number of input sources and the probability of receiving reliable information. What we measure is probably more critical to the evaluation process than how we measure it. Selecting criteria that is easy to measure rather than more important or relevant criteria that is more difficult to measure can result on employees wasting effort on activities that do not make a significant contribution to accomplishing organizational objectives, yet remaining extremely busy. "What gets measured, gets done," is an old management saying that is particularly true with performance appraisals.

Compare Actual Performance with Standards

The fourth step in the appraisal process is the comparison of actual performance with standards. This step notes deviations between standard performance and actual performance. The performance appraisal form should include a list and explanation of the performance standards. It should also include an explanation of the different levels of performance and their degree of acceptability against the performance standard. This provides a valuable feedback tool as the manager moves on the next step, discussing the appraisal.

Discuss the Appraisal with the Employee

One of the most challenging tasks facing appraisers is to present an accurate assessment to the employee. Appraising performance may touch on one of the most emotionally

CONTEMPORARY CONNECTION

The Feedback Fix

How long do you wait for feedback after you update your status on Facebook, upload a picture, or use Twitter to share your latest observations on life? Weeks? Days? Not likely. You probably get feedback within minutes and within a day, it's old news.

Most of us are impatient for feedback. From video games that provide instant scores and standings, to schools that provide grades online immediately after tests are completed, to text messaging and social media sites, Millenials, in particular, have grown accustomed to instantaneous feedback. Author Dan Pink claims that "Millenials have lived their whole lives on a landscape lush with feedback, yet when they enter the workforce they find themselves in a veritable feedback desert . . . it's hard to get better at something if you receive feedback on your performance just once a year."[4]

What is HR to do? Most performance management systems are set up on a 1-year cycle, frustrating those who crave more frequent feedback. Condensing the process so, the cycle repeats more than once a year may create a workload that gives nightmares to any conscientious HR department. Can social media provide a solution? Possibly.

Spotify, Mozilla, and Hootsuite are among the companies that have turned to social performance management (SPM) systems to encourage better communication, recognition, and coaching in place of traditional performance management systems. Work.com is one SPM software company that allows work groups to provide continuous real-time feedback and coaching with team members and managers. Individuals can ask questions such as, "How did you like my presentation?" or, "What can I do differently next time?"[5] Team members can reward each other with public online kudos or badges to recognize accomplishments. Feedback can also be confidential and anonymous, which can be useful when constructive criticism is necessary. Even if performance management systems continue to be on a 1-year cycle, HR can access an archive of the SPM activity, providing a comprehensive view of an employee's accomplishments and challenges for the full year.[6]

Consider this:

Would you appreciate having access to an SPM system as an employee? As a manager or HR manager? How about in your HR class?

charged activities—evaluation of another individual's contribution and ability. In this context, the appraisal discussion can have negative as well as positive motivational consequences. A difference of opinion on performance may lead to emotions overcoming both parties, a poor way for evaluations to be handled. A manager's first concern in the process is to remove the emotion difficulty from the process. When emotions stay calm in these meetings, employee satisfaction in the process may increase and carry over into future job activities, where both the employee and supervisor have opportunities for ongoing feedback in an effort to fulfill job expectations. The impression that employees receive about their assessment has a strong impact on their self-esteem and, importantly, on their subsequent performance. Of course, conveying good news is considerably easier for both the appraiser and the employee than conveying bad news.

Initiate Corrective Action if Necessary

The final step in the appraisal is the identification of corrective action where necessary. Corrective action can be of two types: one is immediate and deals predominantly with symptoms, and the other is basic and examines causes. Immediate corrective action is often described as "putting out fires," whereas basic corrective action touches the source of deviation and seeks to adjust the difference permanently. Immediate action corrects problems such as mistakes in procedures and faulty training, and gets the employee back on track right away. Basic corrective action asks how and why performance deviated from the expected performance standard and provides training or employee development activities to improve performance. In some instances, appraisers may rationalize that they lack time to take basic corrective action and therefore must be content to perpetually put out fires. Good supervisors recognize that taking a little time to analyze a problem today may prevent the problem from worsening tomorrow.

Evaluating Performance with Absolute Standards

The previous section described the appraisal process in general terms. In this section, we will explain one of the specific methods HRM can use to establish performance standards and devise instruments to measure and appraise an employee's performance. Three approaches exist for doing appraisals: employees can be appraised against (1) absolute standards, (2) relative standards, or (3) outcomes. No one approach is always best; each has its strengths and weaknesses.[7]

Our first group of appraisal methods uses **absolute standards**. This means that employees are compared to a standard, and their evaluation is independent of any other employee in a work group. This process assesses employee's job traits and/or behaviors.[8] Included in this group are the following methods: the critical incident appraisal, the checklist, the graphic rating scale, forced choice, and behaviorally anchored rating scales. Let's look at each of these, focusing on their strengths and weaknesses.

absolute standards
Measuring an employee's performance against established standards.

critical incident appraisal
A performance evaluation that focuses on key behaviors that differentiate between doing a job effectively and doing it ineffectively.

checklist appraisal
A performance evaluation in which a rater checks off applicable employee attributes.

Critical Incident Appraisal

The **critical incident appraisal** focuses the rater's attention on critical or key behaviors that make the difference between doing a job effectively and doing it ineffectively. The appraiser writes down anecdotes describing employee actions that were especially effective or ineffective. For example, a police sergeant might write the following critical incident about one of her officers: "Brought order to a volatile situation by calmly discussing options with an armed suspect during a hostage situation, which resulted in all hostages being released, and the suspect being apprehended without injury to any individual." Note that with this approach to appraisal, specific behaviors are cited, not vaguely defined individual traits. A behavior-based appraisal such as this should be more valid than trait-based appraisals because it is clearly more job related. It is one thing to say that an employee is "aggressive," "imaginative," or "relaxed," but that does not tell us anything about how well the job is being done. Critical incidents, with their focus on behaviors, judge performance rather than personalities.

The strength of the critical incident method is that it looks at behaviors. Additionally, a list of critical incidents provides a rich set of examples that can be used to point out which employee behaviors are desirable and which ones call for improvement. Its drawbacks are that appraisers must regularly write these incidents down, and doing this on a daily or weekly basis for all employees is time consuming and burdensome for supervisors; critical incidents are difficult to quantify making comparison and ranking of employees difficult and without training, supervisor descriptions of behaviors may be subjective.

How would you evaluate this employee using a graphic rating scale? This employee's supervisor would evaluate the employee based on how well he compared to an established standard of traits/behaviors such as quantity and quality of work, job knowledge, cooperation, loyalty, dependability, attendance, honesty, integrity, attitudes, and initiative.

Eddie Seal/Bloomberg News/Getty Images, Inc.

Checklist Appraisal

In the **checklist appraisal**, the evaluator uses a list of behavioral descriptions and checks off behaviors that apply to the employee. As Exhibit 10-2 illustrates, the evaluator merely goes down the list and checks off "yes" or "no" to each question.

Once the checklist is complete, it is usually evaluated by the HRM staff, not the appraiser completing the checklist. The rater does not actually evaluate the employee's performance; he or she merely records it. An HRM analyst scores the checklist, often weighting the factors in relationship to their importance to that specific job. The final evaluation can either be returned to the appraiser for discussion with the employee, or someone from HRM can provide the feedback.

		Yes	No
1.	Are supervisor's orders usually followed?	_____	_____
2.	Does the individual approach customers promptly?	_____	_____
3.	Does the individual suggest additional merchandise to customers?	_____	_____
4.	Does the individual keep busy when not serving a customer?	_____	_____
5.	Does the individual lose his or her temper in public?	_____	_____
6.	Does the individual volunteer to help other employees?	_____	_____

Exhibit 10-2
Sample Checklist Items for Appraising a Customer Service Representative

Checklists are completed by supervisors, but evaluated by HR staff. Items rated may have different weights.

The checklist appraisal reduces some bias in the evaluation process because the rater and the scorer are different. However, the rater usually can pick up the positive and negative connections in each item—so bias can still be introduced. From a cost standpoint, too, this appraisal method may be inefficient and time consuming if HRM must spend considerable time in developing individualized checklists of items for numerous job categories.

Graphic Rating Scale Appraisal

One of the oldest and most popular methods of appraisal is the **graphic rating scale.**[9] An example of some rating scale items is shown in Exhibit 10-3. Rating scales can be used to assess factors such as quantity and quality of work, job knowledge, cooperation, loyalty, dependability, attendance, honesty, integrity, attitudes, and initiative. However, this method is most valid when abstract traits such as loyalty or integrity are avoided, unless they can be defined in more specific behavioral terms.[10]

graphic rating scale
A performance appraisal method that lists traits and a range of performance for each.

To use the graphic rating scale, the assessor goes down the list of factors and notes the point along the scale or continuum that best describes the employee. There are typically 5–10 points on the continuum. The challenge in designing the rating scale is to ensure that factors are evaluated and scale points are clearly understood and are unambiguous to the rater. Ambiguity can introduce bias.

Why are rating scales popular? Although they do not provide the depth of information that essays or critical incidents do, they are less time consuming to develop and administer. They also provide a quantitative analysis useful for comparison purposes.

Forced-Choice Appraisal

Have you ever completed one of those tests that presumably gives you insights into what kind of career you should pursue? A question might be, for example, "Would you rather go to a party with a group of friends or attend a lecture by a well-known political figure?" If so, then you are familiar with the forced-choice format. The **forced-choice appraisal** is a type of checklist where the rater must choose between two or more statements. Each statement may be favorable or unfavorable. The appraiser's job is to identify which statement is most (or in some cases least) descriptive of the individual being evaluated. For instance, students evaluating their college instructor might have to choose between "(1) keeps up with the schedule identified in the syllabus, (2) lectures with confidence, (3) keeps interest and attention of class, (4) demonstrates how concepts are practically applied in today's organizations, or (5) allows students the opportunity to learn concepts on their own." All the preceding statements could be favorable, but we really don't know. As with the checklist method, to reduce bias, the right answers are unknown to the rater; someone in HRM scores the answers based on the answer key for the job being evaluated. This key should be validated so HRM is in a position to say that individuals with higher scores are better-performing employees.

forced-choice appraisal
A performance evaluation in which the rater must choose between two specific statements about an employee's work behavior.

The major advantage of the forced-choice method is that because the appraiser does not know the "right" answers, it reduces bias and distortion.[11] For example, the appraiser may like a certain employee and intentionally want to give him a favorable evaluation, but this becomes difficult if one is not sure of the preferred response. On the negative

Exhibit 10-3

Sample of Graphic Rating Scale Items and Format

Graphic rating scales provide a list of job skills and a continuum for the rater to evaluate the employee's performance on each skill. Graphic rating scales are relatively easy to complete and attempt to provide objective feedback.

Performance Factor	Performance Rating				
Quality of work is the accuracy, skill, and completeness of work	☐ Consistently unsatisfactory	☐ Occasionally unsatisfactory	☐ Consistently satisfactory	☐ Sometimes superior	☐ Consistently superior
Quantity of work is the volume of work done in a normal workday	☐ Consistently unsatisfactory	☐ Occasionally unsatisfactory	☐ Consistently satisfactory	☐ Sometimes superior	☐ Consistently superior
Job knowledge is information pertinent to the job that an individual should have for satisfactory job performance	☐ Poorly informed about work duties	☐ Occasionally unsatisfactory	☐ Can answer most questions about the job	☐ Understands all phases of the job	☐ Has complete mastery of all phases of the job
Dependability is following directions and company policies without supervision	☐ Requires constant supervision	☐ Requires occasional follow-up	☐ Usually can be counted on	☐ Requires little supervision	☐ Requires absolute minimum supervision

side, appraisers tend to dislike this method; many do not like being forced to make distinctions between similar-sounding statements. Raters also may become frustrated with a system in which they do not know what represents a good or poor answer. Consequently, they may try to second-guess the scoring key to align the formal appraisal with their intuitive appraisal.

Behaviorally Anchored Rating Scale (BARS)

These scales combine major elements from the critical incident and graphic rating scale approaches. The appraiser rates the employees based on items along a continuum, but the points are examples of actual behavior on the given job rather than general descriptions or traits. Supporters of **behaviorally anchored rating scales (BARS)** method feel that using descriptions of specific job behaviors should produce relatively error-free and reliable ratings. BARS forms are time consuming to develop correctly. Exhibit 10-4 is an example of a BARS form for an employee relations specialist.

behaviorally anchored rating scales (BARS)
A performance appraisal technique that generates critical incidents and develops behavioral dimensions of performance. The evaluator appraises behaviors rather than traits.

Behaviorally anchored rating scales specify definite, observable, and measurable job behavior. Examples of job-related behavior and performance dimensions are generated by asking participants to give specific illustrations of effective and ineffective behavior regarding each performance dimension; these behavioral examples are then translated into appropriate performance dimensions. Those sorted into the dimension for which they were generated are retained. The final group of behavior incidents is then numerically scaled to a level of performance each is perceived to represent. The identified incidents with high rater agreement on performance effectiveness are retained for use as anchors on the performance dimension. The results of these processes are behavioral descriptions such as anticipates, plans, executes, solves immediate problems; carries out orders; or handles emergency situations.

BARS research indicates that, although it is far from perfect, it does tend to reduce rating errors. Possibly its major advantage stems from the specific feedback that it communicates.[12] The process of developing behavioral scales is valuable for clarifying to both the employee and the rater which behaviors represent good performance and which don't. Unfortunately, it, too, suffers from the distortions inherent in most rating methods.[13] These distortions will be discussed later in this chapter.

Exhibit 10-4

Sample BARS for an Employee Relations Specialist

This behaviorally anchored rating scale (BARS) evaluates how well an HR employee relations specialist can understand and interpret company policies by describing the levels of performance. Better performance earns higher point value.

Behaviorally Anchored Rating Scale

Position: Employee Relations Specialist
Job Dimension: Ability to Absorb and Interpret Policies
This employee relations specialist:

9 ☐ Could be expected to serve as an information source concerning new and changed policies for others in the organization
8 ☐ Could be expected to be aware quickly of program changes and explain these to employees
7 ☐ Could be expected to reconcile conflicting policies and procedures correctly to meet HRM goals
6 ☐ Could be expected to recognize the need for additional information to gain a better understanding of policy changes
5 ☐ Could be expected to complete various HRM forms correctly after receiving instruction on them
4 ☐ Could be expected to require some help and practice in mastering new policies and procedures
3 ☐ Could be expected to know that there is always a problem, but go down many blind alleys before realizing they are wrong
2 ☐ Could be expected to incorrectly interpret guidelines, creating problems for line managers
1 ☐ Could be expected to be unable to learn new procedures even after repeated explanations

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Evaluating Performance with Relative Standards

The second general category of appraisal methods compares individuals against other individuals. These methods are **relative standards** rather than absolute measuring devices. The most popular of the relative methods are group-order ranking, individual ranking, and paired comparison.

relative standards
Evaluating an employee's performance by comparing the employee with other employees.

Group-Order Ranking

Group-order ranking requires the evaluator to place employees into a particular classification, such as the "top 20 percent." The advantage of this group ordering is that it prevents raters from inflating their evaluations so everyone looks good or from forcing the evaluations so everyone is rated near the average outcomes. Problems arise when the number of employees compared is small. For example, if an evaluator is looking at only six employees, all may be excellent, yet the evaluator may be forced to rank them into top quarter, second quarter, third quarter, and low quarter. Theoretically, as the sample size increases, the validity of relative scores as an accurate measure increases, but occasionally the technique is implemented with a small group, utilizing assumptions that apply to large groups.

Another disadvantage, which plagues all relative measures, is the zero-sum game consideration. This means that any change must add up to zero. For example, if 12 employees in a department perform at different levels of effectiveness, by definition, 3 are in the top quarter, 3 are in the second quarter, and so forth. The sixth-best employee, for instance, would be in the second quartile. Ironically, if two of the workers in the third or fourth quartiles leave the department and are not replaced, then our sixth-best employee now falls into the third quarter. Because comparisons are relative, a mediocre employee may score highly only because he or she is the "best of the worst." In contrast, an excellent performer matched against "stiff" competition may be evaluated poorly, when in absolute terms his or her performance is outstanding.

Individual Ranking

individual ranking
Ranking employees' performance from highest to lowest.

Individual rankings require the evaluator merely to list employees in order from highest to lowest. In this process, only one employee can be rated "best." If the evaluator must appraise 30 individuals, this method assumes that the difference between the first and second employee is the same as that between the 21st and the 22nd. Even though some of these employees may be closely grouped, this method typically allows for no ties. In terms of advantages and disadvantages, the individual ranking method carries the same pluses and minuses as group-order ranking. For example, individual ranking may be more manageable in a department of six employees than in one where a supervisor must evaluate the 19 employees who report to her.

Paired Comparison

paired comparison
Ranking individuals' performance by counting the times any one individual is the preferred member when compared with all other employees.

The **paired comparison** method selects one job trait and then compares each employee in a group with the others. A score is obtained for each employee by simply counting the number of pairs in which the individual is superior at the job trait, ranking each individual in relationship to all others on a one-on-one basis as shown in Exhibit 10-5. If 10 employees are evaluated, the first person is compared, one by one, with each of the other nine, and the number of times this person is preferred in any of the nine

CONTEMPORARY CONNECTION

Forced Rankings

What if your human resource management professor was required to rank everyone in your class from the top performers to the bottom, and then fail the bottom 10 percent? Would that change your attitude toward the class? Would your performance improve? That's the basic philosophy of forced-ranking performance appraisal systems.

Forced or stack rankings are one of the most controversial trends in performance management systems in corporations. Companies such as General Electric, Microsoft, Yahoo, MetLife, and Hewlett-Packard have used forced rankings to rank their employees from best to worst, and then use such rankings to determine pay levels as well as in other HRM decisions.

Why use this controversial rating strategy? The primary reason is that many executives became frustrated by managers who rated all their employees above average when in fact they weren't. In addition, these executives wanted to create a system that would increase the organization's competitiveness by rewarding the very best performers and encouraging or even forcing poor performers to leave.

One of the better-known forced-ranking systems was developed by General Electric. Its program is called the 20-70-10 plan. Under this system of evaluation, GE executives force managers to review all professional employees and identify their top 20 percent, middle 70 percent, and bottom 10 percent. GE then does everything possible to keep and reward the top performers, and fires all the bottom performers—the 10 percent. They do so to keep the company moving forward by continually raising the bar of successful performance.

Fans of forced rankings see such actions as continually improving an organization's effectiveness and a means of improving the organization's workforce. By doing so, the most deserving employees are rewarded most—both monetarily and with career advancement. They also see such systems as growing the best return on investment to shareholders.

Critics, on the other hand, argue that these programs are harsh and arbitrary and discourage cooperation and teamwork. It often pits one employee against another and leads to higher rates of turnover. Accordingly, morale suffers, and there is often a great distrust of the organization's leadership. Capital One and Ford Motor Company settled class action suits by former employees who claimed that the forced rankings affected a disproportionate number of a particular sex, age group, or race. Research by Dr. Steve Scullen at Drake University has found that while the forced-ranking system initially shows dramatic increases in performance, the performance benefits tend to decline over time. GE abandoned the process several years ago; Yahoo adopted a similar strategy in 2013; and Microsoft recently discontinued using stack rankings amid complaints from employees that the system resulted in backstabbing and politicking that distracted employees from badly needed focus on Microsoft's core mission.[14]

Consider this:

How would you feel about ranking the people who work for you and firing the bottom 10 percent? Is it an unethical practice? Would you be more motivated if you were one of the employees in the top 20 percent, receiving praise and a raise? Does most of the motivation come from fear or the need to excel?

Job Skills Evaluated: Innovation and Creativity

	Employee being rated:				
Comparison with:	Admir	Betty	Carmen	Dante	Emilio
Admir		–	–	–	–
Betty	+		+	–	+
Carmen	+	–		–	–
Dante	+	+	+		+
Emilio	+	–	–	–	

Exhibit 10-5
Ranking Employees by Paired Comparison

In the paired comparisons, five employees are being compared for their innovation and creativity on the job. The plus (+) means the employee being rated is better than the comparison employee. The minus (–) means the employee being rated is worse than the comparison employee. The employee receiving the most +s will be the highest ranked employee. In this chart, Admir is ranked highest with the most +s.

pairs is tabulated. Each of the remaining nine persons, in turn, is compared in the same way, and a ranking is formed by the greatest number of preferred "victories." This method ensures that each employee is compared against every other, but the method can become difficult when comparing a large number of employees.

Using Achieved Outcomes to Evaluate Employees

The third approach to appraisal makes use of achieved performance outcomes. Employees are evaluated on how well they accomplished a specific set of objectives determined as critical in the successful completion of their job. This approach may be referred to as goal setting but is more commonly referred to as **management by objectives (MBO)**.[15] Its appeal lies in its emphasis on converting overall objectives into specific objectives for organizational units and individual members.

management by objectives (MBO)
A performance appraisal method includes mutual objective setting and evaluation based on the attainment of the specific objectives.

MBO makes objectives operational by a process in which they cascade down through the organization. The organization's overall objectives are translated into specific objectives for each succeeding level in the organization—divisional, departmental, and individual.[16] Because lower-unit managers participate in setting their own goals, MBO works from the bottom up as well as from the top down. The result is a hierarchy that links objectives at one level to those at the next level. For the individual employee, MBO provides specific personal performance objectives. Each person, therefore, has an identified specific contribution to make to his or her unit's performance. If all the individuals achieve their goals, the unit will meet its goals. Subsequently, the organization's overall objectives will become a reality.

Common Elements in MBO Programs

Four ingredients are common to MBO programs: specific goals, participative decision making, a specific time period, and performance feedback. Let's briefly look at each of these.

Specific Goals The objectives in MBO should be concise statements of expected accomplishments. It is not adequate, for example, merely to state a desire to cut costs, improve service, or increase quality.[17] Such desires need to be converted into tangible objectives that can be measured and evaluated—for instance, to cut departmental costs by 8 percent, to improve service by ensuring that all insurance claims are processed within 72 hours of receipt, or to increase quality by keeping returns to less than 0.05 percent of sales.

Participative Decision Making MBO objectives are not unilaterally set by the boss and assigned to employees, as is characteristic of traditional objective setting. Rather, MBO replaces imposed goals with participative goal setting. The manager and employee jointly choose the goals and agree on how they will be achieved.

Specific Time Period Each objective has a concise time in which it is to be completed, typically, 3 months, 6 months, or a year.

Performance Feedback The final ingredient in an MBO program is continuous feedback on performance and goals. Ideally, ongoing feedback allows individuals to

CONTEMPORARY CONNECTION

Facts on Performance Evaluations

Here are some interesting facts that put performance assessments in perspective:

- More than 90 percent of all U.S. organizations use some form of performance evaluations.[21]
- Almost three-fourths of all organizations evaluate nearly three-fourths of their employees each year.
- About half of all organizations evaluate employees more than once a year.
- About three in four employees see a direct link between their performance evaluations and their compensation—although compensation discussions are separated from performance reviews.
- Only one in five employees receives feedback from peers or customers in their performance evaluation process.

monitor and correct their own actions. This is supplemented by periodic formal appraisal meetings in which superiors and subordinates review progress toward goals that lead to further feedback.

Does MBO Work?

Assessing MBO effectiveness is a complex task. Let's review a growing body of literature on the relationship between goals and performance.[18] If factors such as a person's ability and acceptance of goals are held constant, more challenging goals lead to higher performance. Although individuals with difficult goals achieve them far less often than those who have easy goals, they nevertheless perform at a consistently higher level.

Studies consistently support the finding that specific, difficult goals, often referred to as "stretch goals," produce higher output than no goals or generalized goals such as "do your best." Feedback also favorably affects performance. Feedback lets a person know whether his or her effort is sufficient or needs to increase. It can induce a person to raise his or her goal level after attaining a previous goal and indicate ways to improve performance.

The results cited here are all consistent with MBO's emphasis on specific goals and feedback. MBO implies, rather than explicitly states, that goals must be perceived as feasible. Research on goal setting indicates that MBO is most effective if the goals are difficult enough to require some stretching.

A major assumption of MBO performance systems is that employees will be more committed to higher performance standards if the employee participates in the setting of the performance standards to be evaluated. The partnership of manager and employee in setting clear goals at the start of the evaluation period is what sets the MBO process apart from other evaluation methods.[19] Studies of actual MBO programs confirm that MBO effectively increases employee performance and organizational productivity. One of the more critical components of this effectiveness is top management commitment to the MBO process. When top managers had a high commitment to MBO and were personally involved in its implementation, productivity gains were higher than if this commitment was lacking.[20]

Factors That Can Distort Appraisals

There are many working parts to a performance appraisal process; therefore, many things can go wrong. In a perfect world, all appraisers would understand the purposes of the process and be well trained in properly proceeding through all of the six steps of the process. Forms used in the process would be well constructed, valid, and reliable. There would be ample time for completing and communicating the evaluation to the employee. In the real world, the purpose of the process often gets lost and multiple steps in the

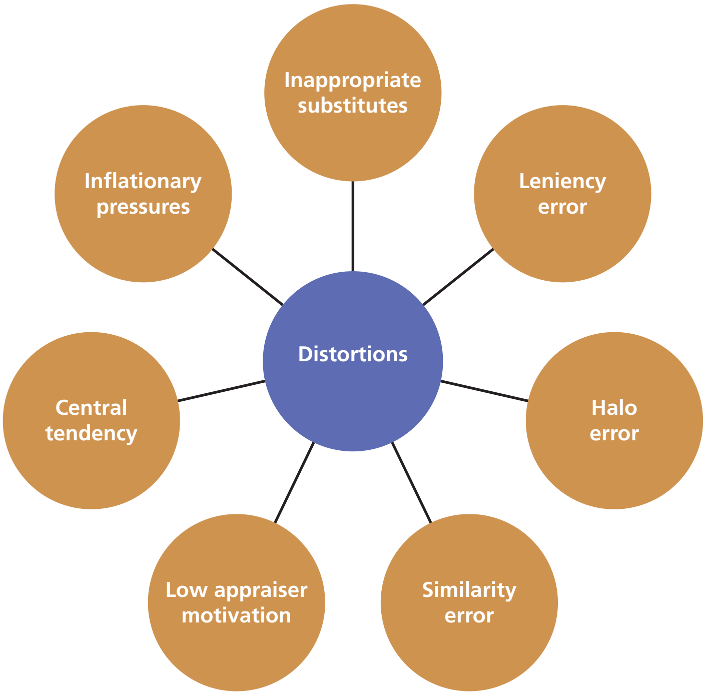

Exhibit 10-6

Factors That Distort Appraisals

The appraisal process can be distorted by many factors, leaving the resulting appraisal meaningless. Evaluators need to be aware of the factors that can cause problems with the process and take care to eliminate their influence.

process are skipped because time is short. Good performance appraisal forms are difficult and time consuming to create, so the forms used are not specific to a job, out of date, and do not provide relevant feedback.

Although managers who make an attempt to do some sort of appraisal are to be commended, the fact is that appraisals that are done poorly can be much worse than not doing appraisals at all, and there are many things that can go wrong or distort the results. Exhibit 10-6 outlines a few of them. HRM needs to understand them and prevent them.

Leniency Error

Every evaluator has his or her own value system that acts as a standard against which appraisals are made. Some want to see the best in everyone and inflate ratings just a bit. This is called **leniency error**. Others are more harsh in their judgment for various reasons, creating a negative version of leniency error. When evaluators are positively lenient in their appraisal, an individual's performance is rated higher than it actually should be. Similarly, a negative leniency error understates performance, giving the individual a lower appraisal than deserved.

leniency error
Performance appraisal distortion caused by evaluating employees against one's own value system.

If all individuals in an organization were appraised by the same person, there would be no problem. Any error factor would be applied equally to everyone.[22] The difficulty arises when we have different raters with different **leniency errors**. For example, assume a situation where Jones and Smith are performing the same job for different supervisors with absolutely identical job performance. If Jones's supervisor tends toward positive leniency while Smith's supervisor errs toward negative leniency, we might be confronted with two dramatically different evaluations. Organizations have attempted to reduce lenience and other errors with supervisor training called **calibration** meetings. In these meetings, supervisors are coached in ways to be more consistent in rating employees. For example, if a five-point rating scale is used, supervisors discuss what employee behaviors would earn a rating of "1" on up to a rating of "5."[23] Specific employees may be observed so raters can discuss performance and reach consensus on appropriate performance ratings.

calibration
Training designed to make ratings by different managers more consistent.

Halo Error

The **halo error** or effect occurs when one is rated either extremely high or extremely low on all factors based on a rating of one or two factors. For example, if an employee tends to be conscientious and dependable, we might become biased toward that individual to the

halo error
The tendency to let our assessment of an individual on one trait influence our evaluation of that person on other specific traits.

extent that we will rate him or her positively on many desirable attributes. Managers may also tend to give higher ratings to employees that they themselves have hired over those hired by other managers.[24]

People who design teaching appraisal forms for college students to fill out in evaluating instructor effectiveness each semester must confront the halo effect. Students tend to rate a faculty member as outstanding on all criteria when they are particularly appreciative of a few things he or she does in the classroom. Similarly, a few bad habits—showing up late for lectures, being slow in returning papers, or assigning an extremely demanding reading requirement—might produce negative ratings across the board.

One method frequently used to deal with the halo error is "reverse wording" evaluation questions so that a favorable answer for, say, question 17 might be 5 on a scale of 1 through 5, and a favorable answer for question 18 might be 1 on a scale of 1 through 5. Structuring questions in this way seeks to reduce the halo error by requiring the evaluator to consider each question independently. Another method, where more than one person is evaluated, is to have the evaluator appraise all ratees on each performance standard before going on to the next performance standard.

Similarity Error

When evaluators rate other people in the same way that the evaluators perceive themselves, they make a **similarity error**. For example, the evaluator who perceives himself or herself as aggressive may evaluate others by looking for aggressiveness. Those who demonstrate this characteristic tend to benefit, and others who lack it may be penalized.

similarity error
Evaluating employees based on the way an evaluator perceives himself or herself.

Low Appraiser Motivation

If the evaluator knows that a poor appraisal could significantly hurt the employee's future—particularly opportunities for promotion or a salary increase—the evaluator may be reluctant to give a realistic appraisal. Evidence indicates that it is more difficult to obtain accurate appraisals when important rewards depend on the results.

Central Tendency

Evaluators are often reluctant to use the extreme ends of a rating scale, effectively reducing the range of ratings and limiting the ability to objectively and accurately evaluate employees. When this happens, we call the action **central tendency**. Central tendency occurs when a rater chooses not to use the two extremes on a graphic rating scale such as "outstanding" or "unacceptable." This has the effect of limiting the evaluation choices used and increases the chance that the rater will rate all employees in the "average" range. This makes it more difficult to accurately describe performance when justifying promotions and pay increases. Graphic rating scales that have five levels of performance are particularly susceptible to central tendency errors. This can be avoided by training evaluators to make accurate evaluations of performance.

central tendency
The tendency of a rater to give average ratings.

Inflationary Pressures

A middle manager in a large Minnesota-based company could not understand why he had been passed over for promotion. He had seen his file and knew that his average rating by his supervisor was 88. Given his knowledge that the appraisal system defined outstanding performance at 90 or above, good as 80 or above, average as 70 or above, and inadequate performance as anything below 70, he was at a loss to understand why he had not been promoted. The manager's confusion was only somewhat resolved when he found out that the "average" rating for middle managers in his organization was 92. This example addresses a major potential problem in appraisals: inflationary pressures.

Inflationary pressures have always existed but appear to be increasing. Poorly trained evaluators may worry about hurting the feelings of employees that expect to be above average or fear retribution from disgruntled employees who fail to achieve excellent appraisals. Inflating the ratings of employees makes the appraisal process less rigorous and reduces negative repercussions. However, inflating these evaluations has put many organizations in a difficult position when having to defend their disciplinary actions and discharging employees for poor performance. Truly excellent employees may become resentful and leave if they perceive that their ratings are not significantly better than employees they observe doing inferior work.

ACC
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Anthony J. Causi/Icon SMI/NewsCom

How would you rate the coaching effectiveness of Duke University Basketball Coach Mike Krzyzewski? If you evaluate him based on leading his teams to four NCAA championships and having the most wins in NCAA Division 1 basketball history, you might come to a positive conclusion.

Inappropriate Substitutes for Performance

A job with an absolutely clear definition of performance and foolproof measures for accurately assessing a worker's performance is rare. It is hard to find consensus on what is "a good job," and it is even more difficult to produce agreement on what criteria determine performance.[25] Criteria for a salesperson are affected by factors such as economic conditions and actions of competitors—factors outside the salesperson's control. As a result, the appraisal frequently uses substitutes for performance, criteria that are supposed to closely approximate performance and act in its place. Many of these substitutes are well chosen and give a good approximation of actual performance. However, the substitutes chosen are not always appropriate. It is not unusual, for example, to find organizations using criteria such as effort, enthusiasm, neatness, positive attitudes, conscientiousness, promptness, and initiative as substitutes for performance. In some jobs, one or more of these criteria may be part of performance, for example, enthusiasm does enhance teacher effectiveness; you are more likely to listen to and be motivated by an enthusiastic teacher than by one who is not; increased attentiveness and motivation typically lead to increased learning. But enthusiasm may in no way be relevant to effective performance for many accountants, firefighters, or copy editors. An appropriate substitute for performance in one job may be totally inappropriate in another.

Attribution Theory

Our perception of the amount of control an individual has over her own performance is described by **attribution theory**. Employee evaluations are directly affected by a "supervisor's perceptions of who is believed to be in control of the employee's performance—the employer or the manager."[26] Attribution theory attempts to differentiate between elements the employee controls (internal) versus those the employee cannot control (external). Most people tend to believe that personal success has been earned by internal controls (hard work, perseverance and intelligence) and personal failures are due to external factors (difficult coworkers, out-of-date equipment and bad luck). The reverse tends to be true when viewing others. Their personal success is more likely due to external factors (good training and excellent supervision) and failures are likely caused by internal factors (laziness, procrastination and lack of ability). For example, if an employee fails to finish a project he has had 6 months to complete, a supervisor may view this negatively if he or she believes that the employee did not manage either the project or his time well (internal control). Conversely, if the project is delayed because top management requested a change in priorities, an understanding supervisor may see the incomplete project in more positive terms (external control).

attribution theory
A theory of performance evaluation based on the perception of who is in control of an employee's performance.

One research study found support for two key generalizations regarding attribution[27]:

- When appraisers attribute an employee's poor performance to internal control, the judgment is harsher than when the same poor performance is attributed to external factors.
- When an employee performs satisfactorily, appraisers will evaluate the employee more favorably if the performance is attributed to the employee's own efforts than if the performance is attributed to outside forces.

Attribution theory is interesting and sheds new light on rater effects on performance evaluations. An extension of attribution theory relates to impression management, which takes into account how the employee influences the relationship with his or her supervisor. For example, when an employee positively impresses his or her supervisor, there is a strong likelihood that the individual's performance rating will be higher.

Creating More Effective Performance Management Systems

The fact that evaluators frequently encounter problems with performance appraisals should not lead us to throw up our hands and abandon the concept. Managers can make performance appraisals more effective. In this section, we offer suggestions to be considered individually or in combination, as illustrated in Exhibit 10-7.

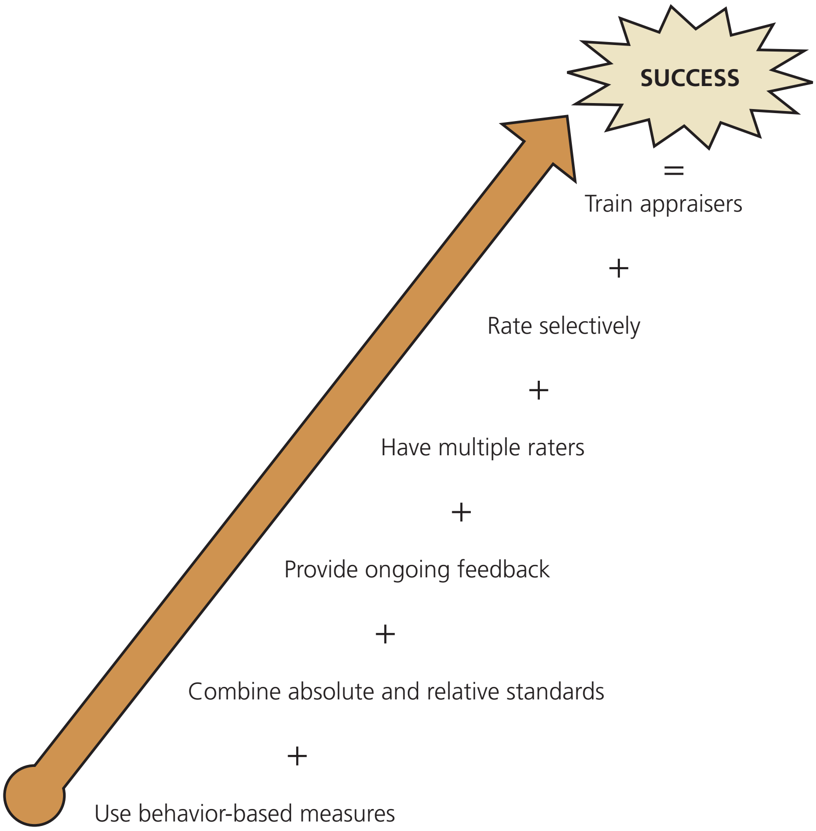
Use Behavior-Based Measures

As we have pointed out, the evidence favors behavior-based measures over those developed around traits. Many traits often related to good performance may, in fact, have little or no performance relationship. Traits such as loyalty, initiative, courage, reliability, and self-expression are intuitively desirable in employees, but are individuals who rate high on those traits higher performers than those who rate low? Of course, we can't

Exhibit 10-7

Toward a More Effective Performance Management System

A successful performance management system requires attention to many important factors.



CONTEMPORARY CONNECTION

The "Anywhere" Performance Appraisal

© nensuria/iStockphoto

The place: A restaurant near you
The time: Now
The situation: A sales manager and sales representative have been discussing the sales representative's annual performance review. They pull out their smart phones and access the company's web-based performance management system to take a look at the appraisal form and comments made by the sales manager. Since the review went very well, the sales manager references the talent management software package and explains to the sales person that his promotion to a sales management position has been approved. As dessert arrives, the sales manager accesses the company's recruiting and staffing software on her smart phone and the two discuss which of the applicants recently recruited via LinkedIn should be interviewed to replace the sales rep. Last, they submit their expense reports on their phones with a click, and they're on their way.

Most of these functions already exist in reality, some are in development, but all will be tools that managers will likely use in the future to perform most aspects of human resource planning, recruitment, orientation, training, and appraisal. Smart phones and tablets have the capability to run HR applications, but users and employers still have concerns. Screens are small, there's lots of data to deliver, security is a concern, and making applications easy to use sometimes requires different versions for mobile devices and desktop computers.

Many companies already use multiple mobile applications to increase communication and productivity. UPS has been using mobile devices such as tablet computers to evaluate drivers for several years. The mobile devices allow managers to ride along with drivers and evaluate their performance in real time as they complete their deliveries. Evaluations are more accurate when the manager doesn't have to make notes that must be written up when they return to the office.[28]

Employers are recognizing that workers want the same access to mobile technology at work that they have in their personal life, and take a dim view of employers who insist on using technology that was developed before they were born. One software company has found that the biggest barrier to acceptance is HR executives who rose through the organization in the early days of cell phones and need a little convincing.[29]

Consider this:
What level of involvement in social media or mobile technology do you expect when selecting an employer? Would you consider an employer with technology you feel needs updating?

definitively answer this question. We know employees sometimes rate high on these characteristics and are poor performers. Yet we can find others who are excellent performers but score poorly on traits such as these. Traits such as loyalty and initiative may be valued highly by managers and organizations, but there is little evidence that certain traits will be indicators of performance in a large cross-section of jobs.

A second weakness is the subjective nature of defining and rating many traits. Loyalty, reliability, initiative, and friendliness are examples. What you consider loyalty, others may not be resulting in little agreement between different raters. Behavior-derived measures can deal with both of these objections. Because they deal with specific examples of performance—both good and bad—we avoid the problem of using inappropriate substitutes and subjective evaluations. When raters evaluate specific behaviors, it is more likely that two or more evaluators will see the same thing. You might consider a given employee as friendly, while we might perceive her as standoffish. But when asked to rate her in terms of specific behaviors, however, we might both agree that she "frequently says 'Good morning' to customers," "willingly gives advice or assistance to coworkers," and "always consolidates her cash drawer at the end of her work day."

Combine Absolute and Relative Standards

A major drawback to individual or absolute standards is that they tend to be biased by positive leniency; meaning that evaluators tend to pack their subjects into the high part of the rankings. On the other hand, relative standards suffer when there is little actual variability among the subjects. The obvious solution is to consider using appraisal methods that combine both absolute and relative standards. For example, you might want to use the graphic rating scale and the individual ranking method. This dual method of appraisal, incidentally, has been instituted at some universities to deal with the problem of grade inflation. Students receive an absolute grade—A, B, C, D, or F—and next to it is a relative mark showing how this student ranked in the class. A prospective employer or graduate school admissions committee can draw considerably different conclusions about two students who each received a B in their international finance course when next to one's grade it says "ranked 4th out of 33," and next to the other's grade, "ranked 17th out of 21." Clearly, the latter instructor gave many more high grades.

Provide Ongoing Feedback

Performance appraisal results should not be a surprise to employees. Employees like to know how they are doing and should receive continuous feedback during the timeframe being evaluated. Unfortunately, employers who do not do a good job of observing performance and providing feedback, recognition or corrective actions may store up all feedback for one unpleasant annual meeting with the employee.

The solution lies in the appraiser frequently discussing both expectations and disappointments with the employee. Providing the employee with repeated opportunities to discuss performance before any reward or punishment consequences occur will eliminate surprises at the formal annual review. Ongoing feedback should keep the formal sitting-down step from being particularly traumatic for either party. Additionally, ongoing feedback is the critical element in an MBO system that actually works.

Use Multiple Raters

As the number of raters increases, the probability of attaining more accurate information increases.[30] If rater error follows a normal curve, an increase in the number of raters will find the majority clustering about the middle. If a person has had 10 supervisors, 9 of whom rated him or her excellent and 1 poor, then we must investigate what went into that one poor rating. Maybe this rater identified an area of weakness needing training or an area to be avoided in future job assignments.[31] Therefore, by moving employees about within the organization to add evaluations, we increase the probability of achieving more valid and reliable evaluations—as well as helping support-needed changes. Of course, we assume that the process functions properly and bias-free![32]

Self-Appraisals Asking employees to evaluate themselves and using that information as part of the evaluation process provides a number of benefits to the employee, manager, and the organization[33] Completing self-appraisals gives the employee a chance to focus discussion on the elements of performance that are important to them, allows a chance to review personal goals and accomplishments, and increases feelings of participation in the process. Managers may use the self-appraisal to start the appraisal conversation and gain valuable insight into the employee's perceptions about the job and performance. The organization benefits when the self-appraisal focuses employees on their contribution to the strategic goals of the organization and employee development.[34]

TIPS FOR SUCCESS

Team Performance Appraisals

Performance evaluation concepts have been developed almost exclusively with individual employees in mind. This reflects the belief that individuals are the core building blocks on which organizations are built.[40] But as we've witnessed, more contemporary organizations are restructuring themselves around teams. How should organizations using teams evaluate performance? Four suggestions have been offered for designing an effective system that supports and improves team performance.[41]

1. Tie team results to organization goals and strategy. It's important to find measures that apply to important goals the team should accomplish.
2. Begin with the team's customers and its work process to satisfy customers' needs. The final product the customer receives can be evaluated in terms of the customer's requirements. Process steps can be for efficiency.
3. Measure both team and individual performance. Define the roles of each team member in terms of accomplishments that support the team's work process. Then assess each member's contributions and the team's overall performance.
4. Train the team to create its own measures. Having the team define its objectives and those of each member ensures everyone understands their role on the team and helps the team develop into a more cohesive unit.

Things to think about:

What concerns would you have about being part of a team evaluation? Should individual performance be measured too?

Peer Evaluations Have you ever wondered why a professor asks you to evaluate one another's contributions to a group or team project? The reasoning behind this action is that the professor cannot tell what every member did on the project, only the overall product quality. And at times, that may not be fair to everyone—especially if someone left most of the work up to the remaining group members.

Similarly, supervisors find it difficult to evaluate their employees' performance because they are not observing them every moment of the work day. Unfortunately, without this information, they may not be making an accurate assessment. **Peer evaluations** are conducted by the employees' coworkers and give valuable insight into how tasks are distributed and individual's contributions to accomplishing team goals.

peer evaluation
A performance assessment in which coworkers provide input into the employee's performance.

The main advantages of peer evaluation are the tendency for coworkers to offer constructive feedback to each other so each will improve; and recommendations tend to be more specific regarding job behaviors. But caution is in order because these systems, if not handled properly, could lead to increases in halo effects, leniency errors, and fear among employees. In addition to training supervisors to properly appraise employee performance, employees should be trained to evaluate one another objectively and constructively.

A slight deviation from peer assessments is a process called the **upward appraisal**, or the reverse review. Used in companies such as IBM, Ben and Jerry's, and the FAA, upward appraisals permit employees to offer frank and constructive feedback to their supervisors on such areas as leadership and communication skills.

upward appraisal
Employees provide frank and constructive feedback to their supervisors.

360-Degree Appraisals An appraisal device that seeks performance feedback from such sources as the person being rated, bosses, peers, team members, customers, and suppliers has become popular in organizations.[35] It's called the **360-degree appraisal**.[36] It's being used in approximately 90 percent of the Fortune 1,000 firms, which include Otis Elevator, DuPont, Nabisco, Pfizer, Exxon Mobil, Cook Children's Health Care System, General Electric, UPS, and Nokia.[37] This type of appraisal has become quite popular as downsizing has given supervisors greater responsibility and more employees who report directly to them. This makes it increasingly difficult for supervisors to have extensive job knowledge of each of their employees. The growth of project teams and employee involvement in today's companies places responsibility for evaluation at points at which people are better able to make an accurate assessment.[38]

360-degree appraisals
Performance evaluations in which supervisors, peers, employees, customers, and the like evaluate the individual.

Research studies into the effectiveness of 360-degree performance appraisals are generally reporting positive results from more accurate feedback, empowering employees,

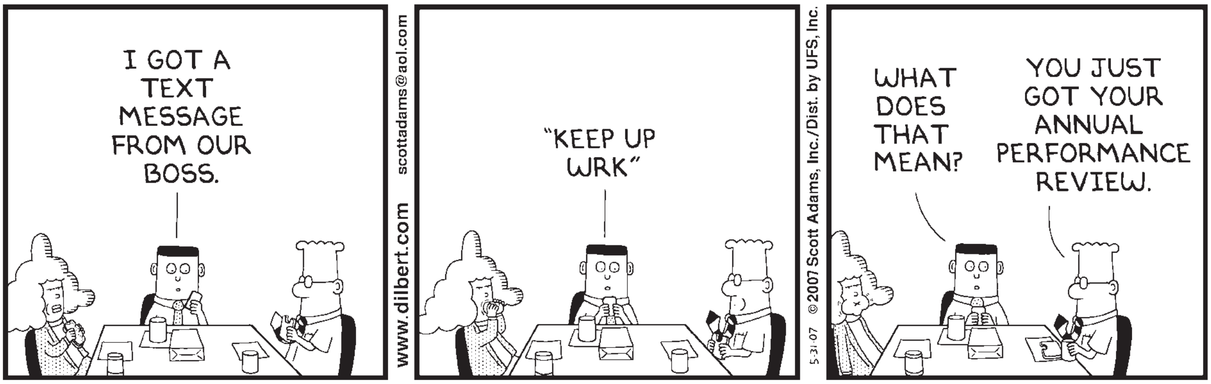

I GOT A TEXT MESSAGE FROM OUR BOSS.
"KEEP UP WRK"
WHAT DOES THAT MEAN?
YOU JUST GOT YOUR ANNUAL PERFORMANCE REVIEW.
scottadams@aol.com
www.dilbert.com
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Exhibit 10-8

Ineffective Appraisals

Too often, managers take shortcuts when explaining the performance appraisal process and the actual evaluation.

reducing subjective factors in the evaluation process, and developing leadership in an organization. But 360-degree systems are not without problems if used improperly.[39] They are difficult to develop and complex to analyze. Raters can "game the system" by artificially inflating or penalizing coworkers to help their own ratings. Anonymity of raters and rater training is necessary.

Rate Selectively

Appraisers should rate only in those areas in which they have job knowledge. If raters make evaluations on only dimensions they are in a good position to rate, the inter-rater agreement is increased and the evaluation is a more valid process. This approach also recognizes that different organizational levels often have different perspectives on the jobs and people being rated and observe them in different settings. It works best if appraisers are as close as possible to the organizational level of the individual evaluated. The more levels separating the evaluator and employee, the less opportunity the evaluator has to observe the individual's work behavior and, not surprisingly, the greater the possibility for inaccuracies.

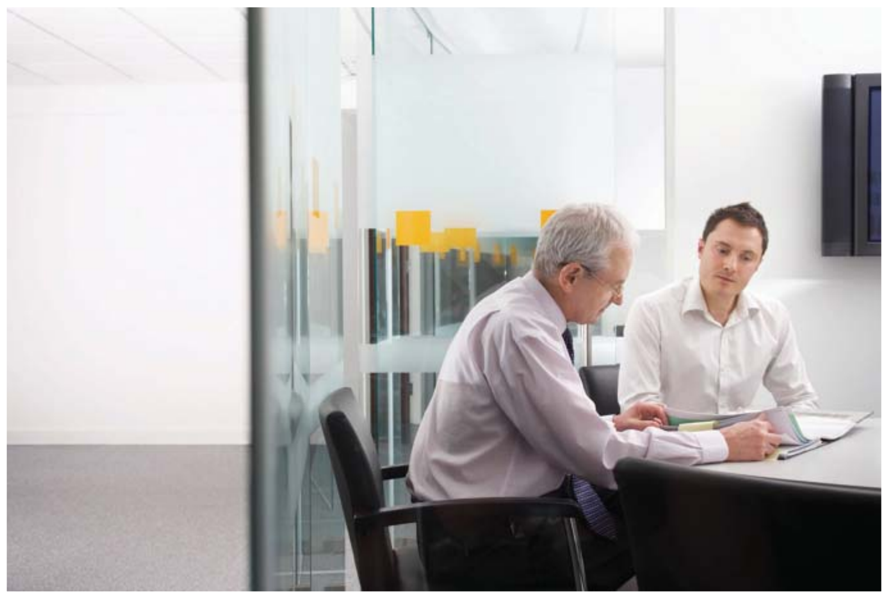
The specific application of these concepts makes immediate supervisors or coworkers the major input into the appraisal and lets them evaluate factors they are best qualified to judge. For example, when managers evaluate administrative assistants, they often use such criteria as judgment, technical competence, and conscientiousness, whereas other administrative assistants would evaluate job knowledge, organization, cooperation with coworkers, and responsibility. Such an approach appears both logical and more reliable because people appraise only those dimensions they are in a good position to judge.

Train Appraisers

If you cannot find good raters, the alternative is to develop good raters. Evidence indicates that training appraisers can make them more accurate raters.[42] Common errors such as halo and leniency can be minimized or eliminated when supervisors can practice observing and rating behaviors in workshops. Calibration workshops demonstrate techniques for eliminating bias and help raters learn how to understand performance standards better. Why should management bother to train these individuals? Because as shown in Exhibit 10-8, a poor appraisal is worse than no appraisal at all; they can demoralize employees, decrease productivity, and create a legal liability for the company.[43]

The Performance Appraisal Meeting

All the time spent linking goals to jobs, developing assessment criteria, creating forms, observing employees, and completing the appraisal can be sabotaged if the appraisal is presented poorly to the employee. Too often employees are handed an appraisal in a sealed envelope and told to sign it and return it soon without a face-to-face discussion, or the appraisal meeting is rushed with no real opportunity for constructive feedback. There are a number of steps employees can take to prepare for those important meetings.



Masterfile

Performance appraisal meetings are a very important part of the appraisal process, requiring preparation and planning.

Managers should prepare for, and schedule the appraisal in advance. This includes reviewing employee job descriptions, period goals that may have been set, and any performance data on the employees. It is important to note any comments or suggestions on last year's appraisal. The employee will most certainly remember them and expect their manager to comment on any efforts to improve any deficiency mentioned the year prior. The appraisal should be scheduled well in advance to give employees the opportunity to prepare their own data for the meeting.

Explaining the purpose of the meeting in advance creates a supportive environment and puts employees at ease. Performance appraisals conjure up several emotions, mostly especially anxiety. Managers should make every effort to keep employees comfortable during the meeting, so that they are receptive to constructive feedback. Nonverbal communication should not be threatening.

By describing the purpose of the appraisal to employees, they will know precisely how the appraisal will be used. Will it have implications for pay increases, or other personnel decisions? If so, managers must make sure employees understand exactly how the appraisal process works and its consequences.

It is important to involve the employee in the appraisal discussion, including a self-evaluation. Performance appraisals should not be a one-way communication event. Although supervisors may believe they have to talk more in the meeting, that needn't be the case. Instead, employees should have ample opportunities to discuss their performance, raise questions about the appraisal, and add their own data/perceptions about their work.[44] Self-assessments are a great way to increase interaction.

The focus of the discussion should be on work behaviors, not on the employee. Many employees are very sensitive to any criticism, no matter how constructively it's presented. Evaluators should narrow the discussion to the behaviors observed. Telling an employee, for instance, that his report is terrible does not point out the specific problem with his performance. Indicating that he didn't devote enough time to proofreading, the report describes the behavior that is problematic.

The evaluation should be supported with examples. Specific performance behaviors help clarify to employees the issues raised. Rather than describing behavior as poor, the evaluator should be as specific as possible in the explanations. So, for the employee who failed to proof the work, describing that the report had five grammatical mistakes in the first two pages alone would be a specific example.

Both positive and negative feedback should be given. Performance appraisals shouldn't be completely negative. Despite the perception that this process focuses on the negative, it should also be used to compliment and recognize good work. Positive, as well as negative, feedback helps employees gain a better understanding of their performance. For example, although the report was not up to the quality expected, the

> The focus of the discussion should be on work behaviors, not on the employee.

employee did do the work and completed the report in a timely manner. That behavior deserves some positive reinforcement.

Evaluators should ensure that employees understand what was discussed in the appraisal. At the end of the appraisal, especially where some improvement is warranted, the manager should ask the employee to summarize what was discussed in the meeting. This will help to ensure that the manager has gotten the information across and the employee understands the appraisal and the reason for the evaluation.

A development plan should be generated. Most of the performance appraisal revolves around feedback and documentation, but development efforts should also be encouraged. A plan should be developed to describe what is to be done, when it should be completed, and what the supervisor will commit to aid in the improvement/enhancement effort.

International Performance Appraisal

As more organizations find themselves expanding into global markets and operations, they must take a look at how to evaluate the performance of workers in other countries and the expatriate managers or workers sent to work in other countries. Evaluating employee performance in international environments is more complicated than applying the performance management practices of the organization in the host country. Organizations are increasingly applying the Western practices that tie performance management to organizational strategy and strategic HRM, but cultural differences between the parent country and the host country must be considered. Cultural differences between the United States and England are not great, and practices may not need much adaption, but cultural differences between the United States and China, for example, are wider by comparison and changes must be made in the evaluation process.

Cultural values such as the degree to which the culture emphasizes collectivism over individualism, harmony over conflict, saving "face," and how the power distance between manager and worker is viewed, must be considered when developing a performance appraisal process. Employees in countries with "collectivist" cultures (Japan, China and Vietnam) that value the group more strongly than the individual will probably not react well to performance appraisal systems that evaluate the individual, raising suspicion and mistrust within the group. Evaluation of the work group or division may be a better choice. For example, if an individual in a collectivist culture makes a decision that benefits the group goals over personal goals, he may expect to be recognized for the decision rather than having his lack of personal achievement mentioned in an appraisal. Employees in countries with "individualist" cultures (Australia, France and Italy) will react much better to individual evaluations, but may not see much direct connection to a group performance appraisal.

When developing a system for appraisal of employees in international units, HRM has three basic choices: export the performance management system of the home country, develop unique performance management systems so that each foreign unit has a unique cultural fit, or integrate the home-country system with local culture to create a "hybrid" system. When deciding how to adapt the performance management system, HRM needs to balance integrating the organizational strategic mission and coordination of workforce alignment, organizational development, and employee development with sensitivity to building relationships in the local cultural context.[45]

Who Performs the Evaluation?

Companies must also consider who will be responsible for the process: the host-country management or the parent-country management. Although local managers would generally be considered a more accurate gauge, they typically evaluate expatriates from their own cultural perspectives and expectations, which may not reflect those of the parent country. For example, a participatory style of management is acceptable in some countries, and in others hierarchical values make it a disgrace to ask employees for ideas. Criteria evaluating customer service that includes smiling or maintaining eye contact may not be appropriate in cultures that may view sustained eye contact and smiling as strange or inappropriate. The way a performance appraisal form is constructed may also need to be adjusted. Research indicates that managers from Asian cultures are more likely to use midpoints in rating scales, whereas Americans are more likely to use either extreme on the scale.[46] Confusion may arise if forms used in the home country are not adequately adapted to the language and cultural sensitivities of the host country. Also, home-office management may be so remote that it may not be fully informed about what is going on in an overseas office.

Home-office managements often measure performance by quantitative measures, such as profits, market shares, or gross sales. However, "simple" numbers are often quite complex in their calculations, and data are not always comparable. For example, local import tariffs can distort pricing schedules, which alter gross sales figures, a statistic often used when evaluating performance. Other performance measures may also be distorted. For example, factory productivity levels in Mexico may be below those of similar plants in the United States, but American-owned plant productivity in Mexico may be above that of similar Mexican-owned plants, making comparison difficult.

Tim Boyle/Getty Images

Are the performance evaluations conducted on Home Depot employees in Mexico different from those conducted on employees in the United States? Logic tells us that evaluations, to be effective, must be adapted to the country in which employees operate.

TIPS FOR SUCCESS

Performance Metrics in China

As you read through the discussion of performance appraisal materials in this chapter, you might be wondering if the methods and means of appraising employees in North America are similar to those practiced around the globe. There are similarities among all developed nations, but there are also some dramatic differences. To give you some perspective of this difference, let's look at how U.S. executives and Chinese executives are evaluated. Although the process may be similar, what's different is what is measured.

What do these differences tell us? They indicate what's important to be successful—and if a North American executive is sent to China (or vice versa), how that individual is measured will be different. Accordingly, the expatriate must understand the culture in which he or she will work and adjust work attributes accordingly. For instance, in the United States, an executive can be creative and think outside the box for a solution. That same behavior in China is not rewarded, as conformance and compliance with the rules is the expectation.[47]

U.S. Executive Evaluation Focus	Chinese Executive Evaluation Focus
Ability to do the job	Industriousness and determination
Technical ability	Diligence
Management skills	Positive attitude
Cultural empathy	Compliance with rules
Adaptability and flexibility	
Creativity	

Summary

(This summary relates to the Learning Outcomes identified on page 212). After having read this chapter, you will be able to

1. **Identify the four purposes of performance management systems and whom they serve.** The four purposes of performance management systems are feedback, motivation, development, and documentation. They are designed to support employees, appraisers, and organizations.
2. **Explain the six steps in the appraisal process.** The six-step appraisal process is to (1) establish performance standards with employees, (2) set measurable goals (manager and employee), (3) measure actual performance, (4) compare actual performance with standards, (5) discuss the appraisal with the employee, and (6) if necessary, initiate corrective action.
3. **Discuss absolute standards in performance management systems.** Absolute standards refer to a method in performance management systems whereby employees are measured against company-set performance requirements. Absolute standard evaluation methods involve the essay appraisal, the critical incident approach, the checklist rating, the graphic rating scale, the forced-choice inventory, and the behaviorally anchored rating scale (BARS).
4. **Describe relative standards in performance management systems.** Relative standards refer to a method in performance management systems whereby an employee's performance is compared with that of other employees. Relative standard evaluation methods include group-order ranking, individual ranking, and paired comparisons.
5. **Discuss how MBO can be an appraisal method.** MBO becomes an appraisal method by establishing a specific set of objectives for an employee to achieve and reviewing performance based on how well those objectives have been met.
6. **Explain why performance appraisals might be distorted.** Performance appraisal might be distorted for several reasons, including leniency error, halo error, similarity error, central tendency, low appraiser motivation, inflationary pressures, attribution errors, and inappropriate substitutes for performance.
7. **Identify ways to make performance management systems more effective.** More effecive appraisals can be achieved with behavior-based measures, combined absolute and relative ratings, ongoing feedback, multiple raters, selective rating, and appraiser training.
8. **Explain the criteria for a successful performance appraisal meeting.** Performance appraisal meetings require manager preparation, a supportive environment, clear purpose, employee involvement, focus on work behaviors, specific work examples, positive and negative feedback, employee understanding, and an employee development plan.
9. **Discuss how performance appraisals may differ in a global environment.** Performance management systems used away from the home country may differ in who performs the evaluation and the format used. Cultural differences may dictate that changes in the U.S. performance management system are needed.

Key Terms

360-degree appraisals
absolute standards
attribution theory
behaviorally anchored rating scales (BARS)
calibration
central tendency
checklist appraisal
critical incident appraisal
documentation
forced-choice appraisal
graphic rating scale
halo error
individual ranking
leniency error
management by objectives (MBO)
paired comparison
peer evaluation
relative standards
similarity error
upward appraisal

HRM Workshop

Reviewing Important Concepts

1. Explain the importance of each of the four purposes of the performance management system. Suggest a fifth purpose and explain why you feel it is important. (LO 1)
2. Describe the appraisal process. Explain which step in the process is most important. (LO 2)
3. Contrast the advantages and disadvantages of evaluating employees by absolute standards and relative standards. (LO 3, 4)
4. Explain the concept of a behaviorally anchored rating scale (BARS) and explain how it can reduce leniency and central tendency errors. (LO 3)
5. Explain the advantages of using management by objective (MBO) as an appraisal method. (LO 5)
6. What are some major factors that distort performance appraisals? (LO 6)
7. Identify ways to make performance evaluations more effective. Select one that you believe is most effective and explain why. (LO 7)
8. What should supervisors know about conducting effective performance appraisal meetings? (LO 8)
9. How does the global nature of business affect performance management systems? (LO 9)

Evaluating Alternatives

10. "It's a dog eat dog world out there" according to Jackson, president of Onleo as he defended their use of relative standards to evaluate employees. "If Onleo falls below 10 percent market share, we're finished. Why shouldn't our employees who are in the bottom 10 percent lose their jobs?" Evaluate Jackson's point of view and explain the advantages and disadvantages of using relative standards and firing the lowest ranked performers. How do you feel about the practice? (LO 4, 6, 7)
11. "Performance appraisal is more valid and reliable when many perspectives are included. Supervisors should evaluate their employees, and employees should be able to evaluate their supervisors. And customers should evaluate them all." Explain the advantages and disadvantages of including a wide variety of people, including some outside the organization to evaluate employees. (LO 6, 7)

Research and Communication Skills

12. After reviewing the process for developing a BARS (behaviorally anchored rating scale), develop a BARS performance appraisal form to evaluate a college professor individually or in a team. The form will rate at least four different performance dimensions of your choice (for example, you might rate the professor's use of technology) and at least five different levels of behavioral incidents (ranking the level of performance). Present your form to the class, explaining your choice of criteria and the behaviors used in your ratings. Rating your human resource management professor is optional, but if you do, conduct an effective performance appraisal meeting. (LO 1, 3, 8)
13. Collect performance appraisal forms used at a variety of local businesses, including retailers, restaurants, financial institutions, public agencies, and educational institutions. Identify whether they are based on absolute standards, relative standards, or management by objective. Evaluate them according to effectiveness and rank them in order. Present your findings to the class. (LO 3, 4, 5)

Making a Difference SERVICE LEARNING PROJECTS

The heart of performance management is feedback. Many community organizations can use help with communication and feedback.

- Volunteer with your local United Way campaign in their efforts to communicate their services and funding needs.
- Assist local nonprofit organizations in setting up websites and responding to e-mails.
- Help a community organization survey volunteers for their feedback following an event such as a fundraising walk, run, or dinner, by preparing and mailing surveys, or sending e-mails. Compile and present the results of the surveys.

As you put your service learning experience together, keep a journal of your activities, the time you spend, contact information for people you work with, and your thoughts about the process. When you're finished, make a presentation to your class about the experience and what you learned. What concepts from Chapter 10 were you able to apply?

Case Application 10-A GROWING PAINS AT MODERN OFFICE SUPPLY

"Sorry I'm late," sighs Fatima as she flops into a chair next to you at a local coffee shop. "Something came up at work. Lately, there's always something going wrong." Fatima is part of your study group for the PHR certification exam that meets at the coffee shop once a week and she's having trouble making the weekly meetings on time. She goes on to explain that her job in HR at Modern Office Supply has become one discipline problem after another and she doesn't know how much longer she can stand the negativity and tension.

Modern Office Supply has 200 employees in two locations in Kansas City, selling office furniture and supplies from an original "Warehouse Showroom," and a second retail-only location that opened 3 years ago. Fatima joined the company 2 years ago after a college internship. She works with another HR manager who has been with the company since it started 15 years ago. Fatima explained to the study group that discipline and morale has been going downhill as long as she's been there. Employees are complaining that the family atmosphere is disappearing and they are starting to feel "disconnected." She explains that the company picnic last week was a disaster, with most of the warehouse staff showing up late after having their own pre-party. "I didn't tell Ben, the senior HR manager, but I think they may have even met with a union organizer," says Fatima wearily.

When your study group pressed Fatima for more information, she shared the following:

- Ben has asked Fatima to make sure that performance appraisals are all up to date. She has found that only 60 percent of the appraisals are current. She has met with indifference or resistance from the managers who are behind in completing appraisals.
- There is only one appraisal form for all nonexempt hourly workers. Ben created the form several years ago so it would be fast and easy for supervisors to complete without much training. Employees are rated either 1 (Poor Performance), 2 (Improvement Needed), 3 (Average Performance), 4 (Above Average Performance), or 5 (Excellent Performance) on the following work traits:

- Adaptability
- Appearance
- Communication
- Decision making
- Dependability
- Interpersonal effectiveness
- Quality of work
- Quantity of work
- Teamwork

Each trait has room for a supervisor comment. Space is left at the end for the supervisor to make comments and suggestions and for the employee to write a comment.

- Supervisors complete the form quickly and often write "good job" or "can do better" in the space for comments. Ditto marks are often used in the comment space rather than repeating written comments. Completed forms are frequently sealed in an envelope and given to employees with instructions to read them over and return them to HR with comments and a signature. A few employees report that they haven't received appraisals in years, although their files contain unsigned copies of the forms.
- Ben is sure that he's trained the supervisors on how to complete the forms, but there hasn't been any training that Fatima has been aware of since she started with the company.
- Complaints from customers and coworkers about rude behavior and late deliveries prompted Fatima to meet with delivery driver Gale today about improving his performance. Gale felt he was being singled out as a minority and added, "I'm no worse than any other driver here!" He produced a copy of his last appraisal form with 4 (Above Average Performance) marked in every category except for Quality of Work and Quantity of Work, which were marked with a 3 (Average Performance). Fatima took quick look at the appraisals for four other drivers, including the ones that complained about Gale, and found similar ratings in most categories except for Quality of Work and Quantity of Work, which were marked with a 4 (Above Average Performance). Fatima completed a written warning and made a note to speak to Gale's supervisor.
- Rosa, a new customer service representative, came to Fatima in tears because she thinks her manager hates her. Her performance appraisal was a mix of 2 (Needs Improvement), 3 (Average Performance), and one 4 (Above Average Performance) rating for Adaptability. Rosa's supervisor, Kelly, was surprised when Fatima questioned her about the appraisal. "It's a tough job," she said. "Rosa's only been here a year and she still has a lot to learn. I can't honestly say that she's 'Very Good' yet. I only have a couple of reps that actually deserve an 'Outstanding' rating."
- Evaluations of employees at the retail location seem to be higher and as a result, salaries of the retail location employees have grown slightly higher than at the original warehouse showroom over the last 3 years causing tension between the two groups of employees.
- All managers are evaluated annually by Hector, Modern Office's owner and founder. He uses an MBO process that includes meeting with each manager to assess the prior year's performance and jointly set goals for the next year. Hector loves the personal contact with the management staff, but growth and expansion in the last 3 years has left Hector with more managers, less time for their assessment meetings, and little discussion about personal performance the rest of the year. Hector doesn't seem to review the prior year's goals before the meetings anymore, so managers are beginning to set easily achievable goals, knowing that Hector is getting out of touch and that the meeting doesn't have any consequences.

Fatima adds, "Ben set up the performance management system years ago when the company was about half the size it is now. It worked when Ben and Hector knew everyone, but we've really outgrown it and it shows. We can't afford a modern web-based system right now, but something has to be done. All I do anymore is listen to complaints and file disciplinary warnings. Ben won't fire anyone who deserves it because the appraisals aren't current and he's afraid they'll sue or claim discrimination. I'm starting to hate my job."

Your PHR study group agrees that the issues at Modern Office would be improved by applying some of the concepts you're

Modern Office Supply

Performance Appraisal Form

1. Poor Performance
2. Needs Improvement
3. Average Performance
4. Above Average Performance
5. Excellent Performance

Job Skills:	*Performance Level:*					
Adaptability	1	2	3	4	5	Comments
Appearance	1	2	3	4	5	Comments
Communication	1	2	3	4	5	Comments
Decision making	1	2	3	4	5	Comments
Dependability	1	2	3	4	5	Comments
Interpersonal effectiveness	1	2	3	4	5	Comments
Quality of work	1	2	3	4	5	Comments
Quantity of work	1	2	3	4	5	Comments
Teamwork	1	2	3	4	5	Comments

Supervisor Comments:

Supervisor Signature ______________________ Date ______________

Employee Comments:

Employee Signature ______________________ Date ______________

Human Resource Manager ______________________ Date ______________

reviewing for the certification exam. Fatima agrees and asks you to help her create a proposal to improve the performance management process at Modern Office.

Questions:

1. What important elements are missing in the performance management process? In what ways would improving the performance management process help improve discipline and morale at Modern Office Supply? (LO 2)
2. Explain ways the form used for hourly employees contributes to errors and distortions in the appraisal process. How would you revise the form to reduce those errors? Explain other steps that need to be taken to further reduce distortions in the process. (LO 6)
3. What type of appraisal method would you recommend that would be more effective for the hourly employees? Construct an appropriate form for the delivery driver position. (LO 2, 3, 4, 5 7)
4. How can the appraisal process for the managers be improved? (LO 5)
5. **Research**: Find two to three online examples of performance appraisals for hourly employees that are more effective than the example in the case. Explain the elements that make your examples more effective.

Case Problem 10-B CANDY AND PERFORMANCE MANAGEMENT ARE DANDY AT JELLY BELLY

Jelly Belly makes some of the most innovative flavors of candy including popular flavors Buttered Popcorn, Cappuccino, Caramel Apple, and some not-as-popular flavors like Draft (tastes like beer) or Rotten Egg, Booger, and Baby Wipes, created for their Bean-Boozled guessing game. Innovation didn't extend to their outdated performance appraisal processes. The problem came to light a few years ago when two branches of the family-owned business merged, creating one company with two ineffective performance appraisal processes that depended on paper forms and outdated software.

Knowing that accurate reviews with clearly communicated expectations and measurable objectives increase employee satisfaction, the HR department set several goals for a new performance appraisal process as they began their research:

- Easy to use so managers would use it.
- Save time for everyone.
- Web-based for consistent appraisal processes across multiple locations.
- Flexible enough to customize different types of forms with competencies.

Once vendor Halogen was selected, Jelly Belly HR spent 2 days in training, and then trained 50 managers on how to use the new system. Benefits were realized quickly. Traveling managers appreciated having access to forms and data necessary to evaluate staff no matter where they were. Supervisors appreciated the ability to provide more relevant comments than they could before. Employees felt the appraisals were better aligned with their job competencies and more interactive with the ability to make comments. The process also met Jelly Belly's goals for time savings and ease of use, and that's pretty sweet.

Questions:

1. How do the performance management changes made at Jelly Belly address the four purposes of performance management systems in Chapter 3? (LO 1)
2. Explain which of the six steps in the appraisal process seem to be addressed and how they are affected by the new system. (LO 2)
3. **Research**: What other companies offer performance management system software? Research two of those systems and explain how their products seem to address the purposes and steps of performance appraisal processes. (LO 1, 2)

11

Establishing Rewards and Pay Plans

Mlenny Photography/iStockphoto

As you're scrolling through the summer internship listings on your college's career planning website, the top employer in your area has your dream job listed and it couldn't be more perfect. The qualifications match yours exactly, it starts this summer, and they have a reputation of hiring the best interns upon graduation. You're polishing up your résumé in your head as you scroll to the bottom of the screen and see it—the word that makes you break out in a cold sweat—unpaid.

Will you apply? Can you afford to work for 10 weeks without pay? Are you willing to go into debt for the chance that the employer will offer you a great job upon graduation? It's a common dilemma. Approximately 75 percent of U.S. college students will work as interns[1] before graduating, and the National Association of Colleges and Employers (NACE) estimates that nearly half of those internships are unpaid.[2] Part of the appeal is the perception that an unpaid internship is seen as more valuable to prospective employers, leaving students who cannot afford it at a real disadvantage. If you're in one of the 50–60 percent of college programs that require internships,[3] the added burden of tuition makes the choice even harder.

Are unpaid internships legal? Yes and no. The Fair Labor Standards Act (FLSA) doesn't actually recognize internships, but allows "trainees" to be exempt from the minimum wage if specific criteria (listed in this chapter) are met; however, those criteria make it difficult for most for-profit businesses to legally avoid paying interns. Nonprofit groups like charities have less strict rules because people are allowed to do volunteer work for nonprofits.

Don't get too discouraged. Many great companies do pay interns. In fact, of *BusinessWeek's* list of 50 Best Internships, all but two are paid, with the top employers in accounting and finance offering wages as high as $28 an hour.

Looking Ahead

What would you do if your dream internship was unpaid and you suspect it is in violation of FLSA rules?

LEARNING OUTCOMES

After reading this chapter you will be able to:

1. Differentiate between intrinsic and extrinsic rewards.
2. Discuss how the Fair Labor Standards Act and other federal laws regulate compensation.
3. Identify external factors influencing compensation.
4. Discuss job evaluation and how it is used to create pay structures.
5. Explain base pay, premium pay, and types of variable pay as parts of a compensation program.
6. Discuss the elements of executive compensation and why they can be significantly higher than those of other employees.
7. List the considerations in creating an international compensation program.

Introduction

"What's in it for me?" is a common question to consider before starting any task or job. The reward or payoff of our effort affects our decision whether to do it and our level of motivation. This presents several problems for employers. Employees are individuals with unique expectations. For example, the unpaid internships in the chapter opener may seem unfair and abusive to you, yet a classmate may jump at the chance to pad his resume with experience at a well-known employer. As author Dan Pink puts it, "It's not that money isn't important. People have more sophisticated needs. Human beings are profoundly attuned to the norm of fairness."[4] The perception of fairness can be pretty subjective. We'll spend the majority of this chapter addressing pay as a reward and how organizations establish compensation programs that are fair and motivating to employees. How employee benefits fit into the total rewards view of compensation is covered in Chapter 12.

Rewarding Employees

Employers are increasingly taking a strategic view of balancing employee concepts of fairness in compensation with best ways to accomplish organizational goals. This involves taking a broader view of compensation that includes pay, training, health and wellness management, benefits, paid time off with nonmonetary rewards such as work–life balance, challenging and fulfilling work assignments, supportive work culture, autonomy, and opportunities for advancement. This comprehensive view of compensation is called **total rewards**. A well-thought total rewards strategy that uses compensation to accomplish organizational goals of attracting, retaining, and motivating qualified employees is essential to remain competitive in a global economy.

total rewards
Comprehensive view of employee compensation.

Employee compensation is commonly classified as either intrinsic or extrinsic rewards, financial or nonfinancial rewards, and performance-based or membership-based rewards. All have their part in establishing a total rewards package that satisfies the goals of employees and the organization.

Intrinsic versus Extrinsic Rewards

intrinsic rewards
Satisfaction derived from the job itself, such as pride in one's work, a feeling of accomplishment, or being part of a team.

job enrichment
Enhancing jobs by giving employees more opportunity to plan and control their work.

extrinsic rewards
Benefits provided by the employer, usually money, promotion, or benefits.

Intrinsic rewards are the personal satisfactions one derives from doing the job. These are self-initiated rewards: pride in one's work, a sense of accomplishment, or enjoying being part of a work team. **Job enrichment**, for instance, can offer employees intrinsic rewards by making work seem more meaningful. Feeling a sense of achievement or personal growth from a job is an example of an intrinsic reward. **Extrinsic rewards**, in contrast, include money, promotions, and benefits. They are external to the job and come from an outside source, mainly management. Salary increases or flexible working conditions would be examples of extrinsic rewards. The general structure of rewards is summarized in Exhibit 11-1.

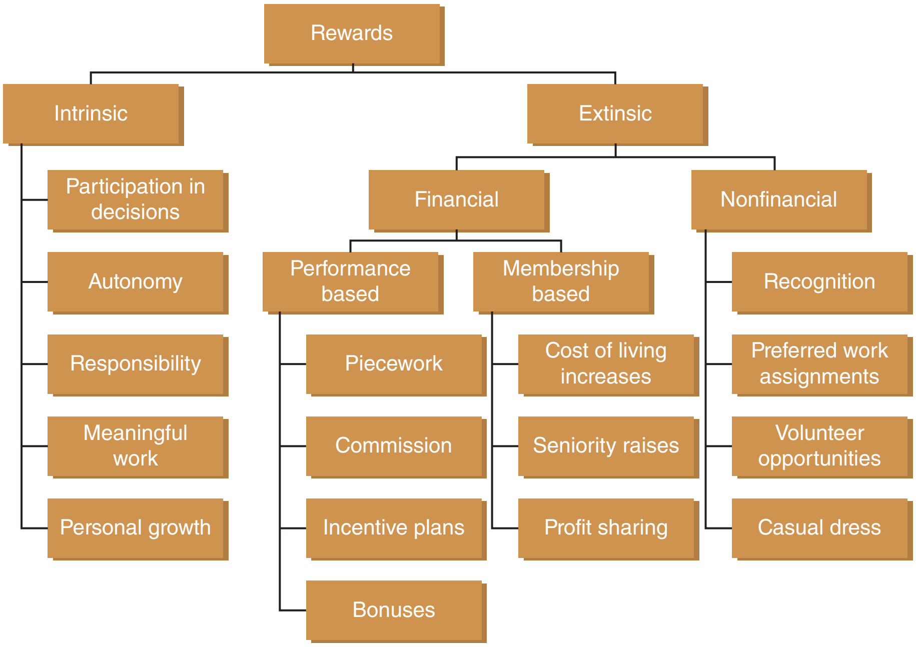

Rewards
Intrinsic
Extinsic
Participation in decisions
Autonomy
Responsibility
Meaningful work
Personal growth
Financial
Nonfinancial
Performance based
Membership based
Piecework
Commission
Incentive plans
Bonuses
Cost of living increases
Seniority raises
Profit sharing
Recognition
Preferred work assignments
Volunteer opportunities
Casual dress

Exhibit 11-1
Structure of Rewards

Intrinsic rewards are the personal rewards or "warm fuzzy feelings" we get from work. Extrinsic rewards are financial and nonfinancial rewards such as money, promotions, and benefits. How do these categories fit with theories of worker motivation?

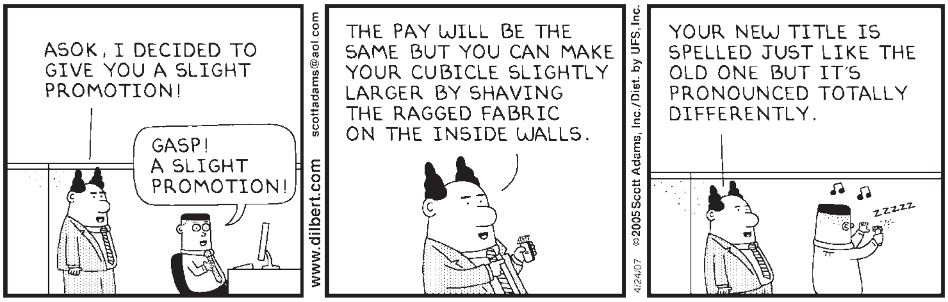
Financial versus Nonfinancial Rewards

Financial rewards are the monetary compensation employees receive from the organization. It includes payments for base pay, shift differential pay, bonuses, performance-based pay, and overtime. It also includes benefits such as pension plan contributions, paid time off, and stock options.

Nonfinancial rewards not directly increase the employee's financial position, but make life on the job more pleasant. Many provide valuable rewards, are very inexpensive to implement, popular with employees and support organizational culture. The organization benefits if these activities increase employee engagement and productivity.

Recognition of employee effort is an easy and popular way to show appreciation and increase motivation. Daily positive feedback, e-mails recognizing effort, mentioning accomplishments in meetings or presenting awards are simple, inexpensive ways to reward employees. Other nonfinancial rewards may include the opportunity to volunteer on company time, training activities, time off of work, celebrating birthdays and holidays, providing more autonomy or setting up mentoring relationships.

Status-conscious employees may appreciate a new job title, access to the latest technology, their own administrative assistant, or a well-located parking. Other employees may value gym memberships, bringing pets to work, opportunities to dress casually while at work, or even the opportunity to work from home occasionally. Such incentives are within the organization's discretion and, carefully used, may enhance performance, as shown in Exhibit 11-2.


ASOK, I DECIDED TO GIVE YOU A SLIGHT PROMOTION!
GASP! A SLIGHT PROMOTION!
scottadams@aol.com
www.dilbert.com
THE PAY WILL BE THE SAME BUT YOU CAN MAKE YOUR CUBICLE SLIGHTLY LARGER BY SHAVING THE RAGGED FABRIC ON THE INSIDE WALLS.
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4/24/07
YOUR NEW TITLE IS SPELLED JUST LIKE THE OLD ONE BUT IT'S PRONOUNCED TOTALLY DIFFERENTLY.
ZZZZZ

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Exhibit 11-2
The "Slight Promotion"

Extrinsic rewards include impressive titles and preferred office furnishings, but the value of those rewards may vary depending on the employee. Not everyone is as easy to please as Asok in the Dilbert comic strip.

ETHICAL ISSUES IN HRM

The Secret Paycheck

What keeps you from comparing your paycheck with your coworkers? Is there a policy at work that prevents you from discussing how much you earn? Do you think you already know what they make? Turns out neither of these are very good reasons for keeping pay a secret.

Pay is frequently the subject of curiosity and gossip. In American culture, it's considered impolite and inappropriate to disclose one's own salary, but we still speculate about what our coworkers earn. Those of us who think we know how much our bosses and coworkers earn are probably wrong. Research shows that we tend to overestimate the pay of others. Websites like Glassdoor allow employees to share information about their employer, jobs, and salaries, anonymously skirting the pay secrecy policies for coworkers and job seekers.

Pay secrecy policies that forbid employees from discussing salaries are not uncommon, although they are mostly unenforceable. The National Labor Relations Act has protected the rights of most nonsupervisory employees and employees engaged in collective bargaining to discuss wages since 1965.[5] Employees in government, public education (including universities), and many nonprofits have salaries posted publicly. So why do companies still have policies prohibiting discussing salaries? Some are concerned that it might lead to morale problems or jealousy over the higher salary of a coworker. It could also cause problems if a competitor found out and was able to mount a "hiring attack" to lure away the top producers.

Arguments against pay secrecy policies are mounting, however. One proponent of eliminating pay secrecy is Ed Lawler, a professor at the University of Southern California. He argues that if people challenge a pay system, it may be because they are right in doing so. "Maybe you really are doing a bad job and getting that feedback directly—and based on valid data—is a good thing because it can stimulate you to improve."[6] Another concern is that pay secrecy may be masking pay discrimination. Pay secrecy rules make it difficult to determine coworkers' salaries for comparison if you feel that you are earning less than others in your same position and may be the victim of discrimination.

Timely information is important, too. The Lilly Ledbetter Fair Pay Act was passed to allow employees more time to discover pay discrepancies that may be discriminatory.[7] Lilly Ledbetter was a Goodyear employee who filed a pay discrimination suit against her employer after being anonymously informed that male coworkers had been paid significantly more than she was for the same work for many years. Her case went all the way to the Supreme Court, which determined that her complaint was made too long after the discriminatory pay decision was made. There is concern that the practice of pay secrecy may be intended to make discovery of discriminatory practices so difficult that an employee will miss the 180-day deadline.

Ethical questions:

Do you want to know how much money your coworkers earn? How eager are you to tell them how much you earn? Is pay secrecy a valid management tool to prevent jealousy and morale problems, or is it an unfair practice that hides discrimination and ineffective compensation policies?

Zorani/iStockphoto

Performance-Based versus Membership-Based Rewards

Organizations have only a finite amount of money to allocate to salary and benefits. A strategic view of compensation suggests that the compensation budget should reward activities that best accomplish organizational goals. Rewards that provide incentives for performance are based on the organization's goals for performance or profitability.

Rewards that are distributed regardless of individual performance are usually based on the organization's goals for retaining the workforce.

Performance-based rewards are designed to provide an incentive for high productivity using commissions, piecework pay plans, incentive systems, group bonuses, merit pay, or other forms of pay for performance. Performance-based compensation requires clear performance standards, objective measurement of performance, and accurate records in order to prevent perceptions of unfair pay practices.

performance-based rewards
Rewards based on employee performance or productivity.

Membership-based rewards, on the other hand, include cost-of-living increases, benefits, and salary increases related to labor-market conditions, seniority, or time in rank. The key point here is that membership-based rewards are generally extended regardless of an individual's, group's, or organization's performance so they are less effective motivators.

membership-based rewards
Rewards extended to employees regardless of performance.

Government Regulation of Compensation

In Chapter 3, we described several ways that government policies shape and influence HRM. Like collective bargaining and the employee selection process, compensation administration is heavily regulated by government rules and regulations. Federal legislation sets minimum wages and benefits that employers must meet, and determines what employers and employees are affected. States are free to provide additional regulations and protections, resulting in an abundance of laws and regulations that define fair and legal compensation. This network of laws, policies, and regulation changes constantly, requiring HR managers to continually monitor the legal landscape (Exhibit 11-3).

Fair Labor Standards Act (FLSA)

The **Fair Labor Standards Act (FLSA)** has regulated wage and hour requirements of most U.S. workers since 1938, yet violations are still very common. For example, Starbucks was ordered to repay over $100 million to the baristas who had their tips diverted to managers[8] after distributing tip money to supervisors in addition to the baristas (coffee-making employees) who earned the tips. The supervisors could not be in the "tip pool" because their positions allowed them to hire, fire, supervise, and direct other workers. LinkedIn failed to track and pay overtime of over 300 workers who received a settlement of nearly $6 million for back pay and damages.[9] Walmart agreed to pay over $700 million to settle lawsuits that alleged employees were routinely underpaid. Among the alleged practices at Walmart were not allowing employees to take rest and meal breaks in violation of state laws, and discouraging employees from submitting overtime hours in violation of federal laws.[10] These companies are hardly alone. The U.S. Department of Labor (DOL) estimates that 7 in 10 U.S. employers are violating wage and hour regulations. The DOL enforcement budget and number of field agents have increased significantly since 2008 in an effort to increase compliance.[11]

Fair Labor Standards Act (FLSA)
Passed in 1938, this act established laws outlining minimum wage, overtime pay, and maximum hour requirements for most U.S. workers.

The FLSA sets federal requirements for minimum wages, overtime pay, record keeping, and child labor restrictions. Nearly all organizations are covered by the FLSA, but not all employees are covered. The act identifies two primary categories of employees: exempt and nonexempt.

Exempt employees include professional, managerial, and outside sales positions if they earn more than $455 per week. Other jobs may qualify, such as creative professionals, teachers, computer employees, police, firefighters, and other first responders. Job titles alone do not determine exempt status. The DOL examines job duties, salary, and whether salary varies depending on number of hours worked.[12]

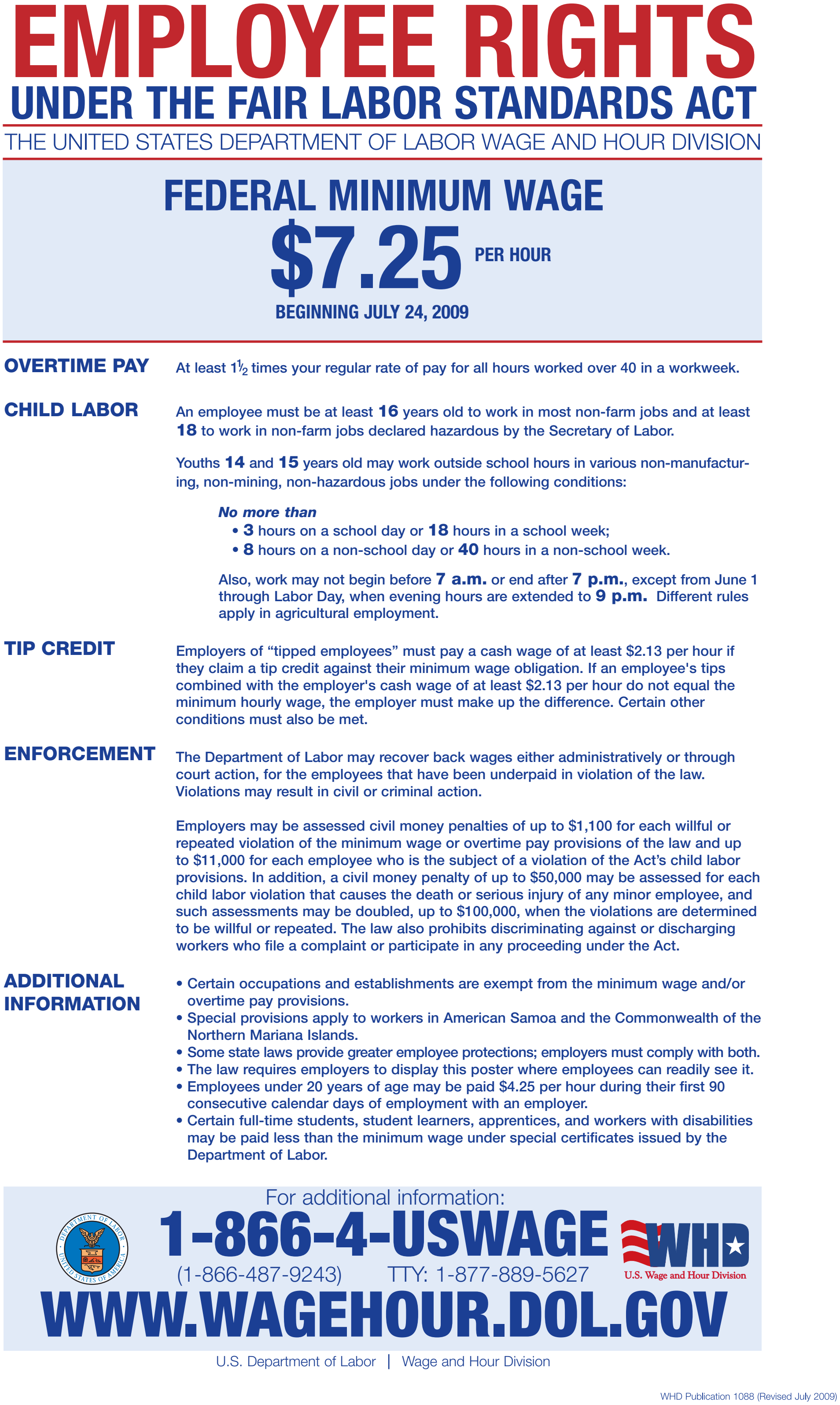
exempt employees
Employees in positions that are exempt from most employee protection outlined in the Fair Labor Standards Act, especially overtime pay.

Misclassifying employees as exempt when they are not is a common violation of the FLSA. Take the example of an employer who classifies a supervisor as an exempt employee. Closer examination of the supervisor's job may reveal that significantly less than half of her time is spent on any supervisory tasks, and the majority of her time is

Exhibit 11-3

Federal Minimum Wage

Employers are required to display an approved poster informing employees of the legal minimum wage. The U.S. Department of Labor provides posters available for download at www.dol.gov. Individual states may enact minimum wage laws that are higher than the federal minimum, but not lower.



EMPLOYEE RIGHTS

UNDER THE FAIR LABOR STANDARDS ACT

THE UNITED STATES DEPARTMENT OF LABOR WAGE AND HOUR DIVISION

FEDERAL MINIMUM WAGE

$7.25 PER HOUR

BEGINNING JULY 24, 2009

OVERTIME PAY At least 1½ times your regular rate of pay for all hours worked over 40 in a workweek.

CHILD LABOR An employee must be at least **16** years old to work in most non-farm jobs and at least **18** to work in non-farm jobs declared hazardous by the Secretary of Labor.

Youths **14** and **15** years old may work outside school hours in various non-manufacturing, non-mining, non-hazardous jobs under the following conditions:

No more than

- **3** hours on a school day or **18** hours in a school week;
- **8** hours on a non-school day or **40** hours in a non-school week.

Also, work may not begin before **7 a.m.** or end after **7 p.m.**, except from June 1 through Labor Day, when evening hours are extended to **9 p.m.** Different rules apply in agricultural employment.

TIP CREDIT Employers of "tipped employees" must pay a cash wage of at least $2.13 per hour if they claim a tip credit against their minimum wage obligation. If an employee's tips combined with the employer's cash wage of at least $2.13 per hour do not equal the minimum hourly wage, the employer must make up the difference. Certain other conditions must also be met.

ENFORCEMENT The Department of Labor may recover back wages either administratively or through court action, for the employees that have been underpaid in violation of the law. Violations may result in civil or criminal action.

Employers may be assessed civil money penalties of up to $1,100 for each willful or repeated violation of the minimum wage or overtime pay provisions of the law and up to $11,000 for each employee who is the subject of a violation of the Act's child labor provisions. In addition, a civil money penalty of up to $50,000 may be assessed for each child labor violation that causes the death or serious injury of any minor employee, and such assessments may be doubled, up to $100,000, when the violations are determined to be willful or repeated. The law also prohibits discriminating against or discharging workers who file a complaint or participate in any proceeding under the Act.

ADDITIONAL INFORMATION

- Certain occupations and establishments are exempt from the minimum wage and/or overtime pay provisions.
- Special provisions apply to workers in American Samoa and the Commonwealth of the Northern Mariana Islands.
- Some state laws provide greater employee protections; employers must comply with both.
- The law requires employers to display this poster where employees can readily see it.
- Employees under 20 years of age may be paid $4.25 per hour during their first 90 consecutive calendar days of employment with an employer.
- Certain full-time students, student learners, apprentices, and workers with disabilities may be paid less than the minimum wage under special certificates issued by the Department of Labor.

For additional information:

1-866-4-USWAGE

(1-866-487-9243) TTY: 1-877-889-5627

WHD U.S. Wage and Hour Division

WWW.WAGEHOUR.DOL.GOV

U.S. Department of Labor | Wage and Hour Division

WHD Publication 1088 (Revised July 2009)

spent doing the same tasks she did when she was an hourly employee. Whether the action is an unintentional mistake or an intentional attempt by the employer to deny the supervisor overtime pay, it violates the FLSA. Another common violation involves referring to workers as independent contractors when they are actually employees in an attempt to avoid paying minimum wages, overtime, and other employer responsibilities. A quick review of the difference between employees and independent contractors in

Chapter 1 will reveal that a restaurant that claimed that their entire wait staff were independent contractors was in violation of the FLSA. As mentioned earlier, the DOL has increased enforcement of these violations and the financial penalties can be significant.

On the other hand, **nonexempt employees** are protected by the FLSA and must be paid at least the minimum wage, which was set at $7.25 in 2009 and must be paid one and a half times the regular rate of pay when they work more than 40 hours in a week. Some states and cities require wages higher than the federal minimum. In certain circumstances, employees may be paid less than the minimum. For example, if an employee earns tips, federal law allows employers to pay a direct wage of $2.13 and consider those tips as part of employees' wages. Employers may claim a "tip credit" for the remaining amount, but if the tip credit and the direct wage are less than the minimum wage, the employer must make up the difference. Many states require a direct wage above the $2.12 federal minimum.

nonexempt employees Employees who are covered by the Fair Labor Standards Act, including overtime pay and minimum wage provisions.

Unpaid internships were discussed in the chapter opener. The FLSA doesn't specifically recognize internships, but does allow exceptions to minimum wage requirements for trainees. For an internship to be unpaid, it must:

- Be similar to training that would be given in an educational environment.
- Be for the benefit of the intern.
- Not displace regular employees and be conducted under close supervision of existing staff.
- Not provide any immediate advantage from the activities of the intern for the employer. In fact, on occasion its operations may actually be impeded.
- Not necessarily entitle the intern to a job at the conclusion of the internship.
- Be clear to the employee and the intern that the internship position is not entitled to wages.[13]

Abuses of the FLSA rules are common. Companies claim interns are getting valuable training, yet are assigned unskilled tasks such as shipping, shredding, photocopying, filing, answering e-mail, and for one health-conscious employer, wiping door knobs to prevent a flu outbreak. Employers get away with it because interns rarely complain, knowing it will hurt recommendations and chances for a full-time job. Abuses have drawn the interest of officials in Oregon, California, and New York, who have begun to investigate and fine employers for labor law violations.

The FLSA also restricts the hours and activities of workers under the age of 18 in the workplace with the goal of keeping them in school and protecting them from dangerous work. The DOL has created a website called Youthrules.dol.gov to communicate the rules to young workers and their employers. Many states provide additional restrictions or require child work permits. A few selected rules employers should be aware of:

- Children under 14 not allowed to work, but with parental consent, they may deliver newspapers, babysit, perform as an actor, work in family-owned businesses, and do farm work outside of school hours.
- Children aged 14 and 15 years can work in nonhazardous jobs outside of school hours as long as it does not exceed 3 hours on school days, 8 hours on nonschool days and falls between 7 a.m. and 7 p.m. on school days.
- Children aged 16 and 17 years can work unlimited hours in nonhazardous jobs. Prohibited activities include driving motor vehicles and using most cutting and power equipment.
- Under some circumstances, employers may pay young workers less than minimum wage. These include full-time college students, workers under 20 in their first 90 days of employment, and high school students enrolled in vocational education classes to learn a skilled trade.[14]

Other Federal Employment Laws

Although the FLSA regulates a significant amount of the compensation-related concerns for HR managers, other laws are in place that create compliance concerns for HRM.

CONTEMPORARY CONNECTION

The Minimum Wage Debate

An estimated 4.5 million workers, or approximately 4 percent of the U.S. workforce, received an increase in their wages when the minimum wage climbed to $7.25 in 2009. Minimum wage laws are controversial, with strong arguments on either side of the argument as to whether an increase in the minimum wage helps or hurts workers. Let's look at both sides of the debate.

Proponents argue that wages tend to lag behind the cost of living, and an increase in wages helps to reverse a decline in real wages for low-wage workers. Before the most recent increase, the minimum wage had not been adjusted in nearly 10 years. Young people and women seem to be the most affected. Half of those in minimum wage jobs are under the age of 25, and nearly 75 percent are employed in jobs in the service industry. About 3 percent of women who earn hourly wages reported earning wages at or less than the federal minimum compared to about 1 percent of men.

In the United States, the threshold poverty level for a family of two is approximately $15,000.[15] Someone who earns minimum wage will earn approximately $15,080 (40 hours × 52 weeks × $7.25), so a family of two with one wage earner is barely above the poverty level. The average minimum wage worker is responsible for over half (54 percent) of household income, and over half of the 4.4 million minimum wage workers belong to families that have household incomes under $35,000 a year. Opponents of increasing the minimum wage cite the problems of increasing costs to employers. They note that in a globally competitive marketplace, every cent added to the cost of doing business drives up the overall costs to the organization—and ultimately erodes competitive opportunities. Increased wage requirements may also result in less demand for workers, ultimately hurting the hourly workers the hike in wages was designed to help.

Although the U.S. minimum wage rate is not the highest among industrialized nations, it is significantly higher than many countries that compete with the United States for goods and services. In addition, states and even cities have the right to increase the minimum wage in their locations based on market demands. Furthermore, many opponents of the increase cite that the issue is not about wages but about education. There is a direct correlation between one's education level and one's wages. A better educated, higher skilled worker is more valuable to organizations, and thus market mechanisms increase what an organization is willing to pay for that individual's service. Clearly there are no easy solutions to this debate.[16]

Consider this:

What's your opinion as to whether the federal minimum wage rate should continue to be increased? Is the starting wage in your area above minimum wage for workers that are most likely to earn minimum wage such as the young, part-time, or unskilled worker?

Walsh–Healy Act Under the Walsh–Healy Act, businesses that have contracts with the government of $10,000 or more must pay prevailing wage rates. The secretary of labor reviews industry rates in the specific locality to set a prevailing rate, which becomes the contract minimum prescribed under the **Walsh–Healy Act**. Under this act, government contractors must also pay time-and-a-half for all work in excess of 8 hours a day or 40 hours a week.

Walsh–Healy Act
Requires employers with government contracts over $100,000 to pay prevailing wage rates in the geographic area.

The Civil Rights and Equal Pay Acts As we discussed in Chapter 3, the Civil Rights Act protects employees from discrimination. Just as it is illegal to discriminate in hiring, organizations cannot discriminate in pay on the basis of race, color, creed, age, or sex. The **Equal Pay Act of 1963** mandates that organizations compensate men and women doing the same job in the organization with the same rate of pay.[17] When the act was passed, women earned an average of 59 cents on the dollar earned by men. Despite progress, women in general still earn roughly 81 percent of what their male counterparts earn.[18] Some of this difference is attributable to perceive male- versus female-dominated occupations, but the Equal Pay Act requires employers to eliminate pay differences for the same job. Salaries should be established based on skill, responsibility, effort, and working conditions. For example, if an organization is hiring customer service representatives, new employees must be paid the same initial salary, regardless of gender, because the attributes for the job are the same. It is important to note that the Equal Pay Act typically affects only initial job salaries. If two workers, one male and one female, perform at different levels during the course of the year, and if performance is rewarded, the act allows that in the next period their pay may be different. The Lilly Ledbetter Fair Pay Act of 2009, also explained in Chapter 3, extends the time that victims of illegal pay discrimination have to file discrimination claims.

Equal Pay Act of 1963
Employers must compensate men and women equally for equal work.

External Factors Affecting Compensation

In addition to the legal influences on pay decisions, HR must also consider external factors such as geographic differences in wages and labor supply. Consideration must also be given to how the organization will react to the wage structures of competing organizations.

Geographic Differences

The cost of labor is a function of supply and demand, among many other factors. When local supply of labor falls short of demand, wages will increase. Conversely if the local labor supply exceeds demand, wages will decrease. This can cause wage fluctuations in some geographic areas or cities, depending on how far workers are willing to travel for a job. Many states provide salary information organized by county or city for employers to use. For example, a company that runs long-term health care facilities may pay minimum wage for certified nursing assistants in an area with few employers, yet need to pay substantially more than minimum wage in a city where there are many employers competing for people with those skills.

Labor Supply

When unemployment rates are low, employers must work harder to attract qualified workers. This often includes raising wages or increasing benefits to tempt workers to leave their current employment and apply. When unemployment rates are high, wages tend to be depressed because employers have a plentiful supply of applicants. Employers may also encounter situations where there is an oversupply of workers with one set of skills, such as framing carpenters, but a shortage of workers with another set of skills, such as welders. This would require a higher starting salary to attract workers with the correct skills.

Competition

Just as an organization must consider competition when setting prices for goods and services, they must consider the influence of competition on wages. When setting a policy on how to react to competition wages, HR professionals have three choices[19]:

- *Match* the competition by paying the market or going rate for labor. This ensures that the pay remains competitive, allowing employers to manage labor costs while still being able to attract qualified workers.
- *Lead* the competition by paying higher wages than competing employers. This may seem like an expensive proposition, but many organizations feel that by "leading" the market, they will be able to attract better qualified employees, leading to lower training costs, better productivity, and lower turnover.
- *Lag* the market by paying slightly less than the prevailing levels in the marketplace. This will lower labor costs, but will make it more difficult to attract and maintain qualified workers. Training and turnover costs will often offset any gains made by paying lower wages.[20]

Cost of Living

Inflation raises the price of consumer goods and reduces the buying power of wages in real terms. The Consumer Price Index (CPI) is compiled by the U.S. DOL's Bureau of Labor Statistics (BLS) and reports monthly on the prices consumers pay for a representative basket of goods and services.[21] As the CPI increases, wages must also increase to allow workers to maintain their standard of living. The cost of living also varies according to location, prompting some large cities such as San Francisco to set their own minimum wage that is higher than the federal or even state minimum wage.

Collective Bargaining

The major function of most unions or collective bargaining units is to negotiate for the wages of its members. Organizations covered by collective bargaining agreements tend to have higher wages and better benefits than similar employers that do not have unions. The biggest impact is typically for unskilled or semi-skilled middle to lower income employees. There is a "spillover effect" requiring firms competing for qualified workers to increase wages and benefits as well. As union membership has declined, jobs benefitting from the higher wages have also declined. The "spillover effect" also works in reverse. As prevailing wages for workers declines and other firms benefit from lower labor costs,[22] we will discuss collective bargaining in more detail in Chapter 14, "Understanding Labor Relations and Collective Bargaining."

The Pay Structure

Some jobs are worth more than others. That's hard to dispute. New employees do not expect to make as much money as experienced employees or supervisors. Supervisors do not expect to make as much money as top management who carry a great deal of responsibility or employees with scarce skills such as the ability to program in an in-demand computer language or special certification. Problems arise, however, when employees perceive that the difference in pay cannot be explained by the qualifications of the employee or the responsibility of the position. When that happens, employees may attribute the differences to unfairness or discrimination.

compensation administration
The process of managing a company's compensation program.

The goal of **compensation administration** is to design a cost-effective pay structure that will attract, motivate, and retain competent employees.[23] The structure should also appear fair to employees. Communicating the criteria used to evaluate the value of jobs will increase perceptions of transparency and fairness. Job evaluation is the foundation of compensation administration and the establishment of a pay structure.

Job Evaluation

job evaluation
Systematically determining the value of each job in relation to all other jobs in the organization.

In Chapter 5, we introduced job analysis as the process of describing job duties, authority relationships, skills required, conditions of work, and additional relevant information. Job analysis data are used to develop job descriptions as well as to do a **job evaluation** that systematically determines the value of each job in relation to all jobs within the organization. The ranking that results from job evaluation is one of many variables that determine the organization's pay structure. External labor market conditions, collective bargaining, and individual skill differences may require an adjustment between the job evaluation ranking and the actual pay structure. Even if adjustments are necessary, job evaluation can provide an objective standard from which modifications can be made.

The heart of job evaluation is determining appropriate criteria to arrive at the ranking.[24] It is easy to say that jobs are valued and ranked by their relative job worth, but ambiguity increases when we attempt to state what places one job higher than another in the job structure hierarchy. Most job-evaluation plans use responsibility, skill, effort, and working conditions as major criteria, but each of these, in turn, can be broken down into more specific terms. Skill, for example, is "an observable competence to perform a learned psychomotor act (like keyboarding)."[25] But other criteria can and have been used: supervisory controls, complexity, personal contacts, and the physical demands needed.[26] Three basic methods of job evaluation are currently in use: ordering, classification, and point methods.[27] Let's review each of these.

ranking method
Ranking job worth from highest to lowest.

Ranking Method The **ranking method** (or ordering method) requires skilled compensation specialists to arrange jobs in a simple rank order, from highest to lowest. The most obvious limitation to the ordering method is its sheer unmanageability with numerous jobs. Imagine the difficulty of correctly ranking hundreds or thousands of jobs in an organization. Other drawbacks to consider are the method's subjectivity—no definite or consistent standards by which to justify the rankings—and the fact that because jobs are ranked in order, we cannot know the distance between rankings.

Classification Method The **classification method** requires that classification grades be created by identifying some common denominator—skills, knowledge, responsibilities—to create distinct classifications of jobs. Examples might include administrative, engineering, and transportation, depending, of course, on the type of jobs the organization requires. Once the classifications are established, they are ranked in an overall order of importance according to the criteria chosen, and each job is placed in its appropriate classification. This requires comparing each position's job description against the classification description and benchmarked jobs. This system is used by the Office of Personnel Management for federal government job classifications. Jobs are classified into 15 grades (GS-1 to GS-15) according to the level of difficulty, responsibility, and qualifications necessary. Within each grade are 10 steps that determine salary level. Pay is adjusted annually based on a variety of factors including location and other data from the BLS.[28]

© AP/Wide World Photos

What is security worth? The federal government's classification system tells us that this transportation security screener is paid a minimum salary between $28,600 and $48,200, depending on work location. Is that enough to recruit qualified workers?

The classification method shares most of the disadvantages of the ordering approach, plus the difficulty of writing classification descriptions, judging which jobs go where, and dealing with jobs that appear to fall into more than one classification. On the plus side, the classification method has proven itself successful and viable in classifying millions of kinds and levels of civil service jobs.

classification method
Evaluating jobs based on predetermined job grades.

point method
Breaking down jobs based on identifiable criteria and the degree to which these criteria exist on the job.

Point Method HR develops a **point method** by breaking jobs down into categories such as education, skill, effort, responsibility, and working conditions. Points are assigned to each category based on the importance of the criteria to successful performance of the job. Points may be weighted more heavily if increased education, skill, or experience is required for the position. Pay grades or ranges are assigned to jobs based on the total number of points.

The point method offers the greatest stability of the three approaches presented. Jobs may change over time, but the rating scales established under the point method stay intact. Additionally, the methodology underlying the approach contributes to a minimum of rating error. On the other hand, the point method is complex and therefore costly and time consuming to develop. The key criteria must be carefully and clearly identified, degrees of factors must be agreed on in terms all raters recognize, the weight of each criterion must be established, and point values must be assigned to degrees. Although it is expensive and time consuming to both implement and maintain, the point method appears to be the most widely used method. Furthermore, this method can effectively address the comparable worth issue (see Chapter 3).

Establishing the Pay Structure

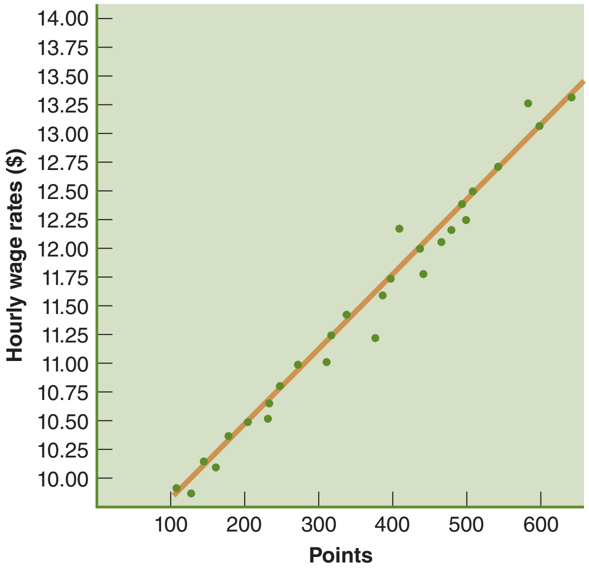
Once the job evaluation is complete, the data generated become the basis of the organization's pay structure. This means establishing pay rates or ranges compatible with the ranks, classifications, or points arrived at through job evaluation. Any of the three job evaluation methods can provide the necessary input for developing the organization's overall pay structure. Each has its strengths and weaknesses, but because of its wide use, we will use the point method to show how point totals are combined with compensation survey data to form wage curves.

Compensation Surveys Many organizations use surveys to gather factual information on pay practices within specific communities and among firms in their industry for comparison purposes. Surveys reveal whether the organization's wages are in line with those of other employers and if adjustments are necessary to remain competitive or recruit for specific positions. A variety of public and private organizations collect wage

Exhibit 11-4

A Wage Curve

Wage curves like this one plot a position's value in points against the wages paid for each of those positions. Jobs that do not fall within an accepted range may be "red circled."



data. The U.S. DOL, through its BLS, regularly publishes a vast amount of wage data organized by geographic area, industry, and occupation. Many industry and employee associations also conduct **compensation surveys** and make their results available. Research and consulting companies such as Mercer and Towers Watson collect and sell results of an extensive list of compensation surveys of industries worldwide. Additional sources include websites such as Glassdoor.com, Salary.com, and Payscale.com. Organizations also can conduct their own surveys, and many large ones do.

compensation surveys
Used to gather factual data on pay practices among firms and companies within specific communities.

Wage Curves After the compensation committee arrives at point totals from job evaluation and obtains survey data on what comparable organizations are paying for similar jobs, a wage curve can be fitted to the data. An example of a wage curve is shown in Exhibit 11-4. This example assumes use of the point method and plots point totals and wage data. A separate wage curve can be constructed based on survey data and compared for discrepancies.

A completed wage curve illustrates the average relationship between points of established pay grades and wage base rates and can identify jobs whose pay is out of the trend line. When a job's pay rate is too high, it may be identified as a "red circle" rate. This means that the pay level is either frozen or minimal wage increases are granted until the structure adjusts upward to put the circled rate within the normal range. Of course, a wage rate may be out of line but not red circled. The need to attract or keep individuals with specific skills may require a wage rate outside the normal range, although continuing to attract these individuals can upset the internal consistencies the wage structure is intended to create. A wage rate may also be too low. These undervalued jobs carry a "green circle" rate, and the company may attempt to grant these jobs above-average pay increases or salary adjustments.

The Wage Structure It is only a short step from plotting a wage curve to developing the organization's **wage structure**. Jobs similar in terms of classes, grades, or points are grouped together. For instance, pay grade 1 may cover the range from 0 to 150 points, pay grade 2 from 151 to 300 points, and so on. As shown in Exhibit 11-5, the result is a logical hierarchy of wages. The more important jobs are paid more; and as individuals assume jobs of greater importance, they rise within the wage hierarchy. Jobs may also be paid in accordance with knowledge or competency-based pay.

wage structure
A pay scale showing ranges of pay within each grade.

Notice that each pay grade has a range and that the ranges overlap. Typically, organizations design their wage structures with ranges in each grade to reflect length of time spent in positions, as well as levels of performance. Additionally, although most organizations create a degree of overlap between grades, employees who reach the top of their grade can increase their pay only by moving to a higher grade. However, wage structures are adjusted every several years (if not every year), so that employees who top out in their pay grade aren't maxed out forever.

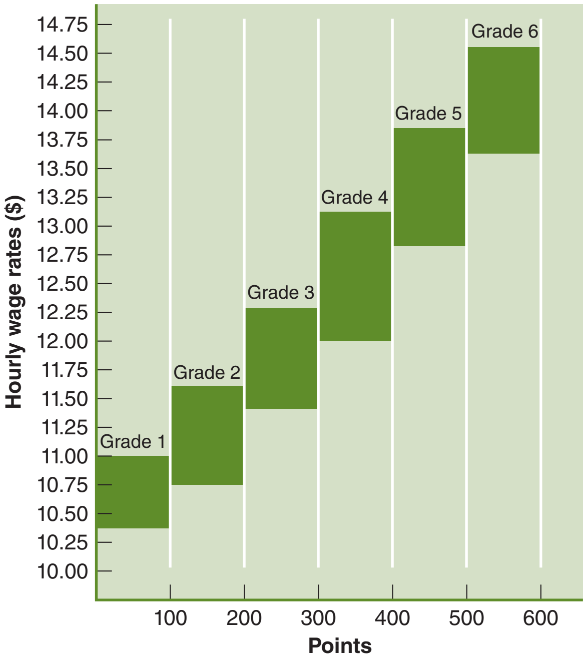


Exhibit 11-5

A Sample Wage Structure

Jobs with similar classes, grades, or points are grouped together to create an organization's wage structure. Grades overlap each other, encouraging employees reaching the top of one pay grade to move to a higher grade.

Types of Compensation

There are many different forms of compensation available to build a compensation program. The right combination depends on the nature of work done and the organizational objectives. The basic building blocks available are base pay, premium pay, and variable pay. We will take a look at how they work and the options for customizing each to meet employees and organizational needs.

Base Pay

The wage structure determined by the job evaluation process determines base pay and may be paid as salary or hourly wage. It should be agreed upon by the employer and employee and reflect the value of the position to the organization. Within the wage structure, there may be an allowance to compensate the employee for experience or skills.

Piecework is an alternative to hourly wages for base pay. It is commonly used in construction and manufacturing. Under a straight piecework plan, the employee is typically guaranteed a minimal hourly rate for meeting some preestablished standard output. When output exceeds this standard, the employee earns a specified amount for each piece produced. Differential piece-rate plans establish two rates—one up to standard, and another when the employee exceeds the standard. The latter rate, of course, is higher to encourage the employee to beat the standard. Individual incentives can be based on time saved as well as output generated. The employee can expect a minimal guaranteed hourly rate, but in this case, the bonus is achieved for doing a standard hour's work in less than 60 minutes. Employees who produce an hour's work in 50 minutes obtain a bonus percentage (say, 50 percent) of the labor saved.

piecework
Pay determined by the number of units produced.

Steve Cole/iStockphoto

Individuals in construction trades are sometimes paid on a piecework basis. The more they install in a day, the more they earn. Accordingly, their pay is up to them.

Premium Pay

premium pay
Additional pay to reward workers for inconvenient or undesirable work.

Many professions provide pay differentials or **premium pay** for work assignments that are undesirable, hazardous, or inconvenient. Overtime pay is required when workers go over 40 hours in a week, but it can also be used to encourage workers to take extra shifts when needed by employers. Additional pay may also be offered when workers are needed to work weekends or holidays. Organizations that must staff more than one shift a day may find evening and overnight shifts tough to fill, requiring them to offer shift differential pay in order to keep undesirable shifts fully staffed.

Other types of premium pay include on-call pay for employees who may need to report to work on short notice, requiring them to be available and near the worksite if needed. Hazard pay is provided to workers who encounter unsafe working conditions that expose them to the risk of harm. Firefighters and other first responders may earn extra pay due to the danger they encounter similar to employees that work in dangerous parts of the world. Additional pay may also be provided to workers with special skills such as being bilingual.

Variable Pay for Individuals

In addition to the basic wage structure, organizations sincerely committed to developing a compensation system designed around performance use variable or incentive pay. Incentives can be paid based on individual, group, or organization-wide performance.

individual incentive plans
Motivation systems based on individual work performance.

Individual incentive plans pay off for individual performance. These programs are usually aligned with performance management systems for employees who have achieved performance goals. Those who perform better generally receive more merit pay.

Commissions are a type of individual incentive common for sales workers. Sales people new to a position frequently earn a guaranteed commission amount for a short time, usually less than 3 months. Since sales are seasonal in many industries, sales people are allowed to draw income from future commissions in periods when sales are down. When sales increase, commission payments are reduced by the amount of the draw. Sales people not earning enough to cover the draw may end up paying back the difference. Many sales positions earn a salary plus a commission or straight commission. Sales persons working for wireless providers commonly earn a specific amount for new activations and a commission on sales of equipment and accessories that may be around 10 percent. Retail sales persons earn average commission rates between 3 and 5 percent of sales on top of hourly wages. Real estate agents earn approximately 3 percent and car sales people earn an average of 30 percent of the net profit the dealer earns on the vehicle sold. Commission rates for some industries are tiered, meaning they increase as sales volume increases.[29]

bonuses
Extra pay awarded for performance.

Bonuses are awarded to individuals or groups for a variety of reasons. Typically, bonuses are used as an incentive for a specific type of behavior or a reward for performance. Holiday or year-end bonuses can be determined individually or distributed to all members of the organization, which reduces the individual incentive. Spot bonuses are cash awards used as immediate rewards for employees that demonstrate exceptional performance. Spiffs (special payment incentive for fast sales) are a type of extra bonus awarded to sales persons for short-term sales promotions or for sales of promoted items.[30] Bonuses are also offered for referring new customers or job applicants.

merit pay
An increase in pay, usually determined annually.

Merit pay is typically an amount added to base pay as a reward for satisfactory or above-average performance ratings. It is frequently tied to the performance appraisal process and is typically added annually. It has come under a great deal of criticism as being an ineffective incentive for excellent performance. The problem isn't so much the concept of rewarding performance, but the practice of awarding some type of raise to nearly everyone, regardless of performance. It has also been used as a substitute for cost-of-living raises and added permanently to the base salary, effectively becoming the new base for future percentage increases. Some occupations have been slow to develop merit pay plans, often because standards are difficult to establish or evaluate. Teaching at a college is a good example. Consider the different types of teaching styles you've observed,

Exhibit 11-6

Supervisory Competencies

Competency-based pay is based on mastering important competencies for a position. What would you add to this list of competencies for a supervisor?

Administrative

- Time management and prioritizing
- Setting goals and standards
- Planning and scheduling work

Communication

- Listening and organizing
- Giving clear information
- Obtaining unbiased information

Supervisory

- Training, coaching, and delegating
- Evaluating people and performance
- Disciplining and counseling, positive relationship building

Cognitive

- Identifying and solving problems
- Making decisions and weighing risks
- Thinking clearly and analytically

the different degrees of difficulty in subject matter, and various levels of dedication to students, and you get an idea of how hard merit plans can be to establish.

Each of these types of individual incentives works best with clear performance objectives and independent tasks.[31] Otherwise, they may create dysfunctional competition or encourage workers to cut corners. Coworkers can become the enemy, individuals can create inflated perceptions of their own work while deflating the work of others. The working environment may suffer as the relationships between employees can become strained.

Another potentially negative effect of incentive for performance is that you may "get what you pay for." When incentives are tied to specific goals (only part of the total outcomes expected from a job), people may avoid performing unmeasured, and not rewarded, activities in favor of measured, rewarded ones. For example, if your school sponsored a lecture by an internationally recognized speaker, and your instructor decided to take your class, would you go? Your response might be contingent on whether the lecture was a requirement, the content might be on an exam, and attendance would be taken. If it was just for your information, attending might not be as high a priority. Thus, despite the fact that they may have negative consequences, such as leaving other activities neglected, individual incentives are widely used.

Competency-based compensation rewards employees on mastering skills, knowledge, or behaviors relevant to their position.[32] Employees are motivated to earn higher base wages by learning new competencies, which also benefits the organization with better productivity, increased employee learning, and more flexible staffing. A profile of required competencies may replace a traditional job description. Competency-based pay is used for a wide variety of jobs including manufacturing, computer programming, and management. For example, core competencies for managers may focus on administrative skills, communication skills, supervisory abilities, and cognitive abilities as shown in Exhibit 11-6.[33]

competency-based compensation
Organizational pay system that rewards skills, knowledge, and behaviors.

Competency-based compensation plans often use preset pay levels called **broad-banding**.[34] Broad-banding combines the positions in an organization into a few specific bands that may be of several salary ranges. Those who possess competencies within a certain range will be grouped together in a pay category.[35] Pay increases, then recognize growth in personal competencies, as well as the contribution one makes to the organization. Accordingly, career and pay advancement may not be tied specifically to a promotion, but rather to how much more one can contribute to the organization's goals and objectives.

broad-banding
Paying employees at preset levels based on their level of competency.

Variable Pay for Groups

Each of these individual incentive options also work for groups. **Team-based compensation** or **group incentives** make the most sense when employees' tasks are interdependent and require cooperation. Let's put it in the perspective of a college class. Suppose on the first day of a business policy class you learn that the final grade will be calculated on two tests and a class project. A professor introduces the project, you learn that you and four other classmates must thoroughly analyze a company's operations. You will make recommendations about the company's financial picture, human resources, product lines, competitive advantage, and strategic direction. The group must turn in a report of no less than 50 pages, double-spaced, and make a 30-minute class presentation about your suggested turnaround. The report and presentation account for 75 percent of the course grade, and each team member will receive the same project grade. Do you think it's fair? Is there too much riding on the efforts of others? What happens if one of your teammates isn't any help or has personal issues that result in dropping the class after the project has started? Are you held accountable for his effort? Welcome to the world of team-based compensation.

Under a team-based compensation plan, team members meeting goals often share equally in the rewards.[36] Several components are important for cohesive and productive teams. For instance, effective teams have a clear purpose and goals. They understand what is expected of them and that their effort is worthwhile.[37] Teams also need the necessary resources to complete their tasks. Because their livelihood may rest on accomplishing their goals, a lack of necessary resources may doom a team effort before it begins. Finally, individual accountability and mutual trust among the team members is critical. They must respect each other, effectively communicate with one another, and treat each member fairly and equitably. Failure here may create serious obstacles that defeat the sense of purpose that group cohesiveness can foster.

team-based compensation
Pay based on how well the team performed.

group incentive
Motivational plan provided to a group of employees based on their collective work.

organization-wide incentive
A motivation system that rewards all facility members based on how well the entire group performed.

Scanlon Plan
An organization-wide incentive program focusing on cooperation between management and employees through sharing problems, goals, and ideas.

IMPROSHARE
An incentive plan that uses a specific mathematical formula for determining employee bonuses.

Organization-Wide Incentives

The goal of **organization-wide incentives** is to direct the efforts of all employees toward achieving organizational goals. These goals may include increased efficiency of operations, reduction of costs, improved product or service quality, or improved productivity. For example, Lincoln Electric, a century-old company based in Ohio that manufactures arc welding equipment and supplies, has had a year-end bonus system for decades. Over the years, the Lincoln Electric plan has paid off handsomely when employees beat previous years' performance standards. Bonuses over the last 10 years have averaged 40 percent of the employee's annual earnings.[38]

One of the best-known organization-wide incentive systems is the **Scanlon Plan**.[39] It seeks cooperation between management and employees through sharing problems, goals, and ideas. Under Scanlon, each department in the organization has a committee composed of supervisor and employee representatives. Suggestions for labor-saving improvements are funneled to the committee. If accepted, cost savings and productivity gains are shared by all employees, not just the individual who made the suggestion. Typically, about 80 percent of the suggestions prove practical and are adopted. A wide variety of organizations have used Scanlon Plans including Harley-Davidson, Beth Israel Hospital, Canon, and Bridgestone–Firestone.

Another incentive plan called **IMPROSHARE**, a contraction of Improving Productivity through Sharing, uses a mathematical formula to determine employees' bonuses.[40] For example, if workers save labor costs in producing a product, a predetermined

In the holiday movie classic, "National Lampoon's Christmas Vacation," Clark Griswold loses his cool when the Christmas bonus he was counting on to put a swimming pool in the backyard is replaced with a 1-year membership to the Jelly of the Month Club.

Warner Bros./Photofest

portion of the labor savings goes to the employee. Profit-sharing plans, or gain-sharing plans, are also organization-wide incentives. They allow employees to share in the firm's success by distributing part of the company's profits back to the workers.

All organization-wide incentives suffer, however, from a *dilution effect*. It is hard for employees to see how their efforts affect organization's overall performance. These plans also tend to distribute payoffs at wide intervals. For example, a bonus paid in March 2017 for your efforts in 2016 loses a lot of its reinforcement capabilities. Finally, we should not overlook what happens when organization-wide incentives become both large and recurrent as the bonus at Lincoln Electric. When this happens, employees often begin to anticipate and expect the bonus. Employees may adjust their spending patterns as if the bonus was a certainty, and the bonus may lose some of its motivating properties. When that happens, it can be perceived as a membership-based reward.

Executive Compensation Programs

Executive compensation has become one of HR's most controversial issues. Executive pay at the biggest companies has risen from about 24 times the salary of an average worker in 1965 to over 330 times the pay of the average worker.[41] Pay is only part of the story. Executives frequently operate under bonus and stock option plans that can dramatically increase their total compensation. A senior executive at Occidental Petroleum Viacom, Oracle, DirectTV, Comcast, Walt Disney, or Time Warner can, in a good year, earn total compensation packages upward of $50 million.[42] We will take a brief look at the building blocks of executive compensation and how they are determined.

stock options
The right to purchase a number of shares of company stock at a specific price for a period of months or years.

Salaries of Top Managers

Executive compensation is set at the discretion of the board of directors of the organization. The board is elected by the stockholders (owners) of publicly traded corporations to represent their interests. In practice, the directors often develop close relationships with CEOs causing stockholders to question whether directors favor the CEO while negotiating compensation. Shareholders occasionally take action to challenge top executive compensation packages viewed as excessive. A group of Chipotle stockholders recently urged other owners to vote no to the proposed pay of the two co-CEOs whose combined salaries of over $50 million is 10 times the median salary for CEOs of similar-sized companies.[43]

Like other employee compensation packages, CEO compensation is aimed at attracting and retaining the best talent. This often requires keeping competitive with other organizations that have inflated executive compensation packages. Typical executive compensation packages are 30 percent base salary, 20 percent annual incentive salary, 10 percent benefits, and 40 percent long-term incentives.[44]

Incentive pay for executives is largely individual and is designed so that they will benefit personally from the organization's success. Short-term incentives focus on bonuses tied to a specified amount of profit or sales, paid in cash or stock. Long-term incentives usually take the form of **stock options** that reward the executive for long-term increase in the value of the company and its stock. Stock options give the executive the right to purchase a number of shares of company stock at a specific price, usually the current price of the stock for a period of months or years. The goal is for the executive to lead the company in a way that increases company value and stock price above the exercise or purchase price of the option (Exhibit 11-7).

How much is an executive worth? At Oracle, it's a lot. Founder and CEO, Larry Ellison, receives more than $78 million annually in total compensation including bonuses and stock options. That's over $37,692.00 an hour.[45]

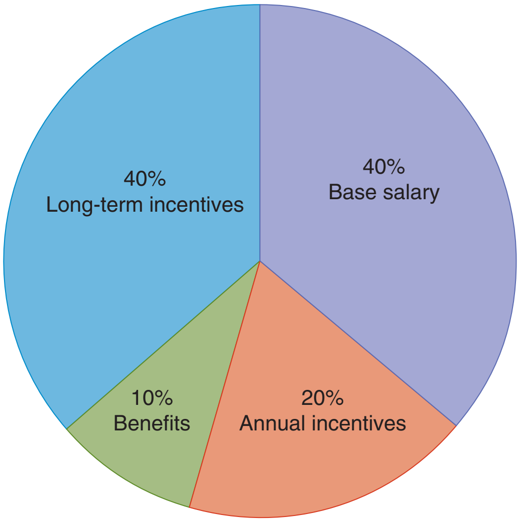
ORACLE
MOËT

Reuters/Jean-Paul Pellisier/Landov

Exhibit 11-7

Executive Pay

Executive compensation includes a higher percentage of incentives than other employees. What's the reasoning behind this?



Executive Perquisites

perquisites
Attractive benefits, over and above a regular salary, granted to executives, also known as "perks."

golden parachute
A financial protection plan for executives in case they are severed from the organization.

Executives are frequently offered a variety of benefits or perquisites not offered to other employees. The logic of offering these **perquisites**, or perks, from the organization's perspective, is to attract and keep good managers and motivate them to work hard in the organization's interest. Popular perks include the payment of life insurance premiums; tickets to sporting and cultural events; club memberships; company automobiles; liberal expense accounts; club memberships; supplemental disability insurance; supplemental retirement accounts; postretirement consulting contracts; and personal financial, tax, and legal counseling. Some also may be given mortgage assistance.

A benefit for top executives is the **golden parachute**. The golden parachute was originally designed by top executives as a means of protecting themselves if a merger or hostile takeover occurred. These parachutes typically provide either a severance salary to the departing executive or a guaranteed position in the newly created (merged) operation. The idea was to provide an incentive for the executive to stay with the company and fight the hostile takeover—rather than leave the organization. In recent years, they have become a common part of executive contracts, providing several years' salary and allowing sales of stock options earlier than normally allowed in the event the executive leaves his position for any reason, including being fired for poor performance. This expense has drawn sharp criticism as displaced executives at Motorola, IBM, Hewlett-Packard, and Yahoo have received severance packages from $10 million to as high as $67 million.[46, 47]

International Compensation

Designing and implementing an equitable international compensation program for a global organization requires attention to a wide variety of complicated variables. The first step in designing an international compensation package is to determine if one policy will apply to all employees or if *parent-country nationals* (PCNs), *host-country nationals* (HCNs), and *third-country nationals* (TCNs) will be treated differently. Currently, American PCNs and HCNs are commonly treated separately, often also differentiating among types of expatriate assignments (temporary or permanent transfer) or employee status (executive, professional, or technical). It is also necessary to thoroughly understand the statutory requirements of each country to ensure compliance with local laws. The most common approach to establishing compensation for expatriate employees or employees with positions outside the home country is the **balance sheet approach**. The goal is to pay the employee with the foreign assignment comparably to workers with similar positions in the home country. The balance sheet approach divides salary into four categories, taxes, housing, goods and services, and reserve (savings and miscellaneous expenses). Data from consulting firms are used to determine the amounts necessary in each of those categories necessary to establish a standard of living similar to what the employee in the home country would receive.

Base Pay

Base pay is similar to the pay of employees in comparable jobs in the home country, but a number of questions should be asked when determining a fair salary. Should expatriates be paid in U.S. dollars or the local currency—or a combination of the two? How does the organization deal with changes in currency values? Do restrictions apply to either bringing in or taking out dollars or the local currency? If so, how are savings handled? Should salary increases follow the same standards as those established for domestic employees or local standards? Does the expatriate pay U.S. or foreign income taxes?

Taxation is a major factor in calculating equitable base pay rates, for instance in Sweden, where income taxes are about 50 percent of salary, will the base pay be adjusted for the actual loss of net income? The U.S. State Department has negotiated agreements with every country to determine where income will be taxed, but the protection of income from foreign tax rates creates new administrative requirements for the organization. Almost all multinational corporations have some tax protection plan so that the expatriate pays no more taxes than if she were in her home country.

Differentials

The cost of living fluctuates around the world, and the value of the dollar to foreign currencies affects prices. For example, if a gallon of regular unleaded gasoline (in USD) in the United States were \$3.55; in England it might be equivalent to \$8.04; and in Hong Kong, \$7.76. Differentials offset the higher costs of overseas goods, services, and housing. The State Department, which has employees in almost every country in the world, publishes a regularly updated comparison of global costs of living used by most multinational corporations for providing differentials to maintain the standards of living the expatriate would enjoy if he or she were home.[48]

Occasionally, overseas assignments may be in a country with difficult living conditions such as an emerging market with an isolated location, political instability, high crime rate, limited access to good housing, schools, and health care. In this case, the expatriate employee may be offered a “hardship differential” as compensation for the added inconvenience and expense of living in difficult conditions. Examples of countries that are considered “hardship” destinations include Nigeria, India, and China.[49] Hardship differentials may be on the decline as conditions in developing countries improve worldwide, and 80 percent of young graduates indicate a preference for an expatriate position, sensing great career opportunities.[50]

If you’ve just been sent to Bonn, Germany, by your company, your compensation will need adjustment. In the United States, you’ve been paying around \$4 a gallon for gas, but in Germany, it’s about 1.49 euros per liter, or about \$7.75 a gallon in U.S. dollars. That difference can change a personal budget quickly.

Truck Diesel
Diesel
Ultimate Diesel
E10
B*KL 1339

Adam Berry/Getty Images, Inc.

Incentives

Not all employees are willing to leave family, friends, and the comfort of home support systems for long periods of time, requiring employers to offer incentives. These may include monetary payments or services, such as housing, a car, chauffeur, and other incentives. But companies must decide how a hardship premium should be paid. As a percent of salary? In a lump-sum payment? In home or foreign currency? If foreign housing is provided, what happens to the vacant home back in the United States or to the family housing situation when they eventually return? Incentives require careful planning before, during, and after the overseas assignment.[51]

CONTEMPORARY CONNECTION

Compensation in a Global Environment

Although similarities do exist, there are major differences between compensation practices in developed countries. Differences in cost of living, taxes, and benefits provided by their respective governments make comparison complicated, but a sample of minimum wage rates for the United States and several other countries in U.S. dollars shows a wide range of minimum salaries.

Country	Minimum Wage Rate as Annual Salary
Germany	No minimum wage
Sweden	No minimum wage
Singapore	No minimum wage
Vietnam	$1,255
Russia	$1,980
El Salvador	$2,187 but varies by industry
Japan	$11,254 but varies by state
United States	$15,080
France	$17,701
Australia	$29,640
United Kingdom	$22,597

Source: International Monetary Fund, "World Economic Outlook Database," at www.imf.org.

Assistance Programs

As with any relocation, the overseas transfer requires much expenditure for the employee's family. Some assistance programs commonly offered by multinational corporations include household goods shipping and storage; purchase of major appliances; legal clearance for pets and their shipment; home sale/rental protection; automobile protection; temporary living expenses; travel, including prerelocation visits and annual home leaves; special/emergency return leaves; education allowances for children; club memberships (for corporate entertaining); and security (including electronic systems and bodyguards), if necessary.

Clearly, the design of a compensation system for employees serving overseas is complex and requires enormous administrative expertise, particularly when an organization has expatriates posted in many different countries.

Summary

(This summary relates to the Learning Outcomes identified on page 240). After having read this chapter, you will be able to

1. **Differentiate between intrinsic and extrinsic rewards.** Intrinsic rewards are personal satisfactions such as pride in work, a sense of accomplishment, or enjoying being part of a work team. Extrinsic rewards come from the employer like pay and benefits.
2. **Discuss how the Fair Labor Standards Act and other federal laws regulate compensation.** The Fair Labor Standards Act (FLSA) requires minimum wages and determines which workers are covered (nonexempt) and which are not (exempt). It also regulates child labor. Other laws include the Walsh–Healy Act, which requires prevailing wage rates for government contractors, the Civil Rights, Equal Pay, and Lilly Ledbetter Fair Pay Acts require equal pay for equal work.

3. **Identify external factors influencing compensation.** Geographic differences, supply of labor, competition for workers, the cost of living, and collective bargaining all need to be considered by employers.
4. **Discuss job evaluation and how it is used to create pay structures.** Job evaluation determines the value of each job in an organization relative to all other jobs in order to determine an equitable pay structure. Methods used include the ranking method, classification method, and point method.
5. **Explain base pay, premium pay, and types of variable pay as parts of a compensation program.** Base pay is determined by the job evaluation process and may be paid as salary, hourly wage, or piecework. Premium pay is offered for jobs or shifts that are hard to fill because they are undesirable, hazardous, or inconvenient. Variable pay is used as an incentive to accomplish organizational goals. It may take the form of individual incentives such as commissions, bonuses, or merit pay. Variable pay can also be used for groups or organizations. Two types of organizational incentives are Scanlon Plans and IMPROSHARE.
6. **Discuss the elements of executive compensation and why they can be significantly higher than those of other employees.** Executive compensation is set by the board of directors of the organization with the goal of attracting the best talent. Boards have been criticized of developing relationships with top executives that result in inflated compensation packages. Bonuses and stock options are incentives that also increase executive compensation packages. Extravagant benefits called perquisites (perks) are also common.
7. **List the considerations in creating an international compensation program.** Conditions in the foreign country are considered including taxes, cost of living, currency exchange rates, and living conditions.

Key Terms

balance sheet approach
bonuses
broad-banding
classification method
compensation administration
compensation surveys
competency-based compensation
Equal Pay Act of 1963
exempt employee
extrinsic rewards
Fair Labor Standards Act (FLSA)
golden parachute
group incentive
IMPROSHARE
individual incentive plans
intrinsic rewards
job enrichment
membership-based rewards
merit pay
nonexempt employee
organization-wide incentive
performance-based rewards
perquisites
piecework
point method
premium pay
ranking method
Scanlon Plan
stock options
team-based compensation
total rewards
wage structure
Walsh–Healy Act

HRM Workshop

Reviewing Important Concepts

1. Explain the difference between intrinsic and extrinsic rewards and explain how they relate to a job you have held. (LO 1)
2. Summarize the ways the Fair Labor Standard Act regulates compensation. (LO 2)
3. Outline the external factors that affect compensation and explain how they apply in your community. (LO 3)
4. Explain job evaluation and how the three different methods help to create effective pay structures. (LO 4)
5. Explain the types of individual incentive plans and how they motivate performance. (LO 5)
6. How do bonuses and stock options provide incentive pay for executives? (LO 6)
7. Explain how salaries are determined for workers with assignments in other countries. (LO 7)

Evaluating Alternatives

8. Would you rather work for an organization where everyone knows what others are earning or an organization where this information is kept secret? Why? Would it make a difference if you suspected that you were making more than coworkers with similar positions? Explain your answers. (LO 2, 3, 4)
9. During a class discussion on ethics, a classmate proclaims "U.S. executives earn every dollar of their pay. Very few people have the skills to effectively run a multimillion dollar global enterprise. Supply and demand should set salaries and if those skills are scarce, qualified executives should go to the highest bidder." Another classmate argues "Nobody is worth $100 million a year. Corporations are creating a new class of American royalty. Executive pay should be regulated to protect stockholders." The professor turns to you and ask which side you agree with and why. Address the ethical, economic and strategic implications of executive pay in your answer. (LO 3, 4, 5, 6)

Research and Communication Skills

10. Find at least one wage survey of the state in which you live. Select four job categories with different qualifications. Determine which areas or communities have the highest and lowest wages for those positions. Explain the external differences that account for the differences in wages.
11. Develop a pay-for-performance system for professors at your college or university. Explain how you would evaluate and reward performance.
12. Investigate recent violations of the provisions of the Fair Labor Standards Act. What types of violations seem to be most common? What are the Department of Labor's current enforcement priorities? Explain the basis for several current lawsuits on behalf of employees. Compile your results into a presentation with three to five slides and present your findings to your class with a list of your resources.
13. As a team, schedule a 15-minute interview with a compensation specialist in the human resources department of your employer, college, university, hospital, or other organization to ask the following questions. Summarize your results in a one- to two-page report for your team to present to your class in a five-minute presentation. You may also want to develop a comparison chart based on your team's results.

    a. Could you share a brief job description of a compensation specialist?
    b. Do you participate in wage surveys? Can you provide results of a recent survey or samples of types of questions asked?
    c. What factors do you consider in developing compensation surveys?
    d. What types of plans, if any, does your organization use to provide incentive to employees? How is each plan implemented, and how successful has it been?

Making a Difference SERVICE LEARNING PROJECTS

Many of the rewards of community service and volunteering are intrinsic. Let's hand out a few extrinsic rewards too.

- Create a "Volunteer Appreciation Event" for a local organization, your college, or the United Way.
- Assist your college in developing student activities for the Martin Luther King Day of Service. If your college doesn't participate in the Martin Luther King Day of Service, contact student government or the student activities office to develop an activity.

As you put your service learning experience together, keep a journal of your activities, the time you spend, contact information for people you work with, and your thoughts about the process. When you're finished, make a presentation to your class about the experience and what you learned. What concepts from Chapter 11 were you able to apply?

Case Application 11-A WHAT IS FAIR AT EXACTITUDE MANUFACTURING?

Shannon Keller has been the HR Vice President at Exactitude Manufacturing, a firm that manufactures engine parts for aircraft engines and power generation equipment in four factories in Kansas, Missouri, Texas, and New York for 3 years. Much of that time has been spent developing a new system that aligns HR strategy with Exactitude's organizational emphasis on high-quality manufacturing. New demands for higher productivity and product quality call for increased training and integration of more complex technology in the manufacturing process. The new system realigns wages for production employees, assemblers, inspectors, trainers, and machinists into five tiers in place of the previous system that had six pay grades.

Tier	Positions	Salary
1	Production 1 Assembler 1	Base wage
2	Inspector 1	Base wage + 0.25/hour
3	Assembler 2	Base wage + 0.50/hour
4	Inspector 2 Production 2 Trainer	Base wage + 0.75/hour
5	Machinists	Skilled trade wage

The new tier system is based on skills, training, and responsibility.

- **Tier 1** Production and Assembler 1 workers receive a base wage. These positions are entry level and require little training. Minimal skill levels are necessary.
- **Tier 2** Inspector 1 workers receive $0.25 per hour over base pay. They inspect work done by Production 1 and Assembler 1 for accuracy and quality of work. The Inspector position requires continuous training to meet quality standards.
- **Tier 3** Assembler 2 workers receive $0.50 over base pay. They are responsible for running essential equipment. The position requires ongoing training and continuous improvement.
- **Tier 4** This tier includes Inspector 2, Production 2, and Trainers who receive $0.75 over base pay. These positions require skill in running precision equipment, training new employees, and/or performing inspections in high volume/critical areas that have little or no tolerance for error. These positions require extensive training and a high skill level.
- **Tier 5** This tier is limited to Machinists who are placed in a skilled trade category that reflects their higher skill level, additional education, and training. New machinists start at a base wage set for skilled trade with adjustments for geographic differences in pay and competition for qualified workers. Wage increases are received at 6 months, 1 year, and 2 years on the job.

The new system emphasizes employee development and training to increase skills and ability. A "job bid" system was established to allow employees to bid on existing open jobs or new jobs created due to increased production throughout the facility. Employees who have completed training and are qualified to perform the work listed in the job description are allowed to bid on a job in a higher tier up to three times a year if positions are available. Jobs are awarded to qualified employees based on training, education, and skill level. Geographical differences were only taken into account for hourly employees when determining yearly cost-of-living raises.

The new program was implemented 6 months ago. Employees initially greeted the idea with skepticism and concern, but with little real opposition. In the last 3 months, however, an increasing number of production workers have shown strong opposition ranging from resentment to anger with work slow-downs. Shannon expected some resistance, but the increased opposition was worrisome. She gathered the HR staff from all four locations to assess the implementation of the new compensation system. She greeted the HR staff by saying, "We knew that the new compensation system would need to be adjusted as it was implemented, and we will take a close look at the concerns you've gathered from our employees." Shannon went on to say, "We've been careful to design a compensation system that supports our strategy. The foundation of the system is good and I'm confident that we can address the implementation problems with minor adjustments and better communication."

As the meeting progressed, the HR staff presented a list of employee and management concerns:

- Production workers with less seniority and experience are unhappy with the new pay grades. They feel that it takes longer to move to a higher tier position due to the increased training requirements.
- More senior employees feel that the system doesn't respect their longevity, loyalty, and experience. They are frustrated that younger employees qualify for higher tier positions because of their training in newer technology. They feel that seniority should be a stronger factor in considering promotions.
- Starting salaries for machinists at comparable positions in different Exactitude locations vary widely due to adjustments for external factors such as the local labor market and cost of living. For example, a plant near St. Louis competes for qualified machinists with a much larger industrial manufacturer located within a few miles, driving starting hourly wages up to $24 per hour. At a similar facility in rural Kansas, machinists start at $18 per hour. Production employees who start at the lower wages resent the differences.
- Employee development and training activities necessary to bid for higher tier positions will begin in 3 months. Senior production workers eager for a show of status and increased income are concerned that the delay in rolling out the training is another show of disrespect for their commitment and value to the organization.

Questions:

1. How does Exactitude utilize intrinsic and extrinsic rewards to improve employee satisfaction and performance? (LO 1)
2. Explain the influence of external factors that are relevant for Exactitude to consider when establishing wages in the different manufacturing locations. What resources are available to determine the necessary adjustments? (LO 3)
3. How will the new compensation plan help align compensation with Exactitude's strategic emphasis on quality and productivity? (LO 1, 4, 5)
4. What would you suggest that HR do to address each of the employee concerns expressed in the case? (LO 1, 3, 4, 5)
5. Explain which Job Evaluation Method seems to best describe the job tier system at Exactitude. (LO 4)
6. **Research**: Using online sources like the Bureau of Labor Statistics, Indeed, Payscale, Glassdoor or others, research wages for skilled manufacturing positions in your area. Compare them to another city or state. Explain any relevant external factors that may influence wages in your area.

Case Application 11-B TAKING CARE OF THE EMPLOYEES WHO TAKE CARE OF THE GUESTS

Occasionally an industry catches the attention of the Wage and Hour Division (WHD) of the Department of Labor when a trend of widespread violations is exposed. Usually those violations occur when employers take advantage of low-wage workers who aren't sure of their rights and are hesitant to complain for fear of retaliation. Cynthia Watson, regional administrator for the WHD, explains that "We see a disturbing violation rate among hotel and motel employers and we are doing something about it . . . Low wage, vulnerable employees are often hesitant to speak up when subjected to violations. The department is committed to ensuring that an honest day's work results in an honest day's pay, and that an employer who plays by the rules isn't at a disadvantage over one who chooses to skirt the law."

Housekeepers seem to be at the highest risk of not seeing the pay they earn. Common employer practices include the following:

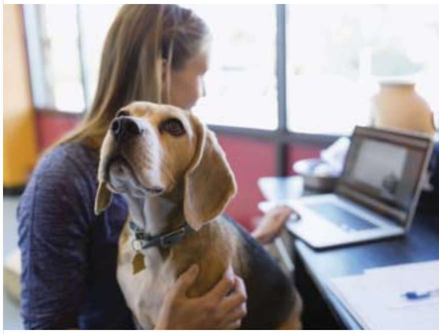
- Failing to pay workers for time spent working before and after scheduled shifts. For example, housekeepers may be required to arrive early to prepare their carts and stay late if they fail to finish cleaning the required number of rooms. Employees are often not allowed to log the extra time.
- Employers changed employee time records, removing time spent before and after shifts.
- Housekeepers were paid on a flat rate per room cleaned, resulting in an hourly rate under the minimum wage. Those working over 40 hours in a week did not have the rate adjusted to reflect the required one-and-a-half the regular rate of pay.
- Workers provided by staffing agencies were improperly classified as independent contractors.
- Failing to maintain accurate time and payroll records was one of the most frequent violations.

In addition to requiring employers to pay back wages, the Department of Labor may require employers to prevent future violations by providing FLSA training to managers, requiring a third party to make sure employees are properly classified, and adopting procedures to accurately track and compensate employees for all work performed.[52]

Questions:

1. Under what circumstances would hotel employees be exempt from minimum wage and overtime requirements? (LO 2)
2. A few hotels encourage guests to provide tips for housekeeping staff. How would that affect minimum wage requirements? (LO 2)
3. What external factors affect the rate of pay for low-skilled workers like housekeeping staff? (LO 3)
4. Does job evaluation justify the low wages paid to housekeeping staff? (LO 4)
5. **Research**: What is the current Federal Minimum Wage? Is it different in the city or state in which you live? What jobs in your area earn the minimum wage? What sources did you use to find your answers? (LO2, 3)

12 Employee Benefits



Hero Images/Getty Images, Inc.

Would you consider adding a low-cost employee benefit that a scientific study proved to not only lower employee stress by 11 percent but has also been found to

- Assist in recruiting
- Increase productivity
- Improve morale
- Reduce absenteeism
- Increase employee exercise
- Stimulate creativity
- Create a friendlier work environment
- Increase job satisfaction and employee retention
- Foster employee communication
- Alert workers to approaching strangers
- Clean food spills quickly

If so, you will join the increasing number of employers that allow workers to bring dogs to work. The study measured the stress hormone cortisol of workers who brought their dogs to work and workers who did not. Stress levels of nonpet owners and dog owners who left their dogs at home rose significantly during the day, but declined in dog owners who brought their dogs to work.

In addition to the stress benefits, the presence of the dogs started conversations and collaboration between coworkers and encouraged dog owners and nondog owners to take breaks to walk the dogs. Randoph Barker, professor of management at Virginia Commonwealth University, sponsor of the study explained "Pet presence may serve as a low-cost, wellness intervention readily available to many organizations and may enhance organizational satisfaction and perceptions of support. Of course, it is important to have policies in place to ensure only friendly, clean, and well-behaved pets are present in the workplace."

Online craft marketplace Etsy and the Huffington Post are among the employers happy with their pet-friendly policy. Senior writer Ann Brenhoff of the Huffington Post explains that there is an "understanding that everyone keeps their teeth to themselves and remembers where the fire hydrant is."[1]

Looking Ahead

How would having a dog-friendly policy benefit organizational strategy and talent management?

LEARNING OUTCOMES

After reading this chapter, you will be able to:

1. Explain the elements of an effective benefits program.
2. Outline the legally required benefits that employers must provide.
3. Describe the major types of health insurance options and other voluntary benefits.
4. Discuss the types of retirement programs that employers offer and the legal requirements of the Employee Retirement Income Security Act.
5. Outline the different types of employee leaves and their benefits.
6. Explain the types of benefits offered in a global environment.

Introduction

If you had two job offers with equal starting salary, what other factors would you consider as you make your decision? Not surprisingly several recent surveys have found that the employer's benefit package was an important consideration. In fact, a good health care plan was valued more highly than a raise in pay.[2] Employers recognize that developing a total rewards compensation plan that reflects organizational strategy to attract, motivate, and retain talented employees is critical. Benefits attract qualified applicants and affect whether applicants accept their employment. Nearly two-thirds of workers indicate that their benefits are an important reason for job satisfaction and the decision whether to stay with their current employer.[3] Since benefits are an important HR responsibility, let's examine the types of benefits available and how they accomplish the goals of employers and employees.

Benefits Planning

In Chapter 11, we discussed total rewards as a comprehensive view of compensation that includes pay, training, health and wellness management, benefits, paid time off with nonmonetary rewards such as work–life balance, challenging and fulfilling work assignments, supportive work culture, autonomy, and opportunities for advancement. Although all are important, salary and benefits are the largest business expense in many industries, making it critical to plan carefully and spend benefit money wisely.[4]

Effective Benefits Programs

employee benefits
Membership-based, nonfinancial rewards offered to attract and keep employees.

You may have heard about employers like Google who offer extravagant **employee benefits** such as free gourmet food, massages, beer and wine, freedom to bring dogs or babies to work, and personal concierges that do everything from arrange from getting your bicycle fixed to arranging for your Halloween costume.[5] As crazy as they sound, they accomplish the strategic purposes of attracting, motivating, and retaining good employees in a competitive environment. If any of those benefits proved counter-productive for Google, they would be a waste of money and would quickly disappear. Benefits play an important role in achieving these strategic goals for employers, but like any business expense it is also important to track the effectiveness of the expenses or return on investment. The costs of many popular benefits such as health care are increasing rapidly requiring employers to find cost-effective ways to provide them. Maintaining a package of benefits that supports organizational culture is also a priority for many employers.[6]

Effective benefits programs also consider the needs of employees. In a union environment, the collective bargaining process represents the benefits preference of employees. In a nonunion environment, employers need to assume responsibility for finding out what employees want. Employee involvement in selecting benefits can lead to better understanding of the cost of benefits and satisfaction with the benefits package. There are a number of ways to survey employees to determine their thoughts on benefits offerings including benefits committees composed of management and employee groups and opinion surveys conducted by the organization or consulting groups.

Offering the Right Benefits

Our diverse workforce has created a need for employers to offer a wide variety of benefits that offer flexibility, quality of work–life, and financial security for traditional and nontraditional families and lifestyles. Dual-career couples, singles, singles with children, and individuals caring for their parents (elder care) have different needs for workplace flexibility, paid leave, and insurance benefits. **Domestic partner benefits** are offered by more than half of all Fortune 500 companies offer such benefits.[7]

domestic partner benefits
Benefits offered to an employee's live-in partner.

Employers can be as creative as they like in putting together their benefits program. In addition to the benefits mentioned earlier, it may include sponsored social and recreational events, employee assistance programs, credit unions, housing, tuition reimbursement, paid jury duty time, uniforms, military pay, company-paid transportation and parking, free food, childcare services or referrals, pet health insurance, onsite fitness centers, and some have even added free massages and haircuts for their employees. Employees appreciate efforts to help them balance their career and personal life. For example, working parents at Best Buy's Richfield, Minnesota, headquarters love the onsite day care, and an onsite doctor and pharmacy really help provide work–life balance. A growing number of employers allow new parents to bring infants to work until they reach crawling stage.

Communicating Benefits to Employees

Even the most generous benefits package doesn't create any employee satisfaction if employees don't know about it or don't understand how it works. A recent survey found that over 60 percent of employees were not aware of changes in their benefits packages each year and over half didn't think they received any information about the open enrollment process for their benefits.[8] Posters are required for some legally required benefits such as minimum wages and the Family and Medical Leave Act (FMLA), but expensive voluntary benefits provided by employers may go unused unless effectively communicated to workers. Wasting money on unused benefits is just part of the problem. Disability insurer Aflac found that communicating information about the benefits available and how to use them substantially reduces the chance that employees consider leaving the employer.[9] Effective benefits administration requires a communication strategy that may include: employee meetings, e-mails, social media, employee handbooks, newsletters, lunch and learn sessions, online benefits information either on the company website or Human Resource Information System (HRIS). Third-party contractors such as ADP also provide benefits administration services that assist in developing and communicating benefits packages (Exhibit 12-1).

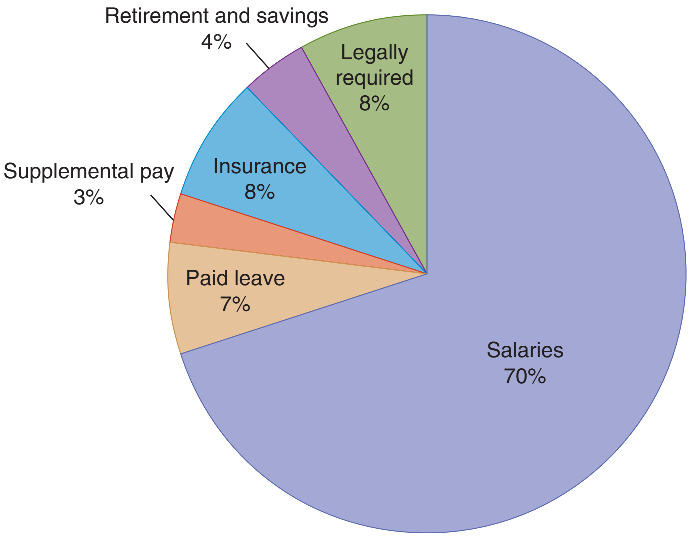


Exhibit 12-1
Total Compensation: Where Does the Money Go?
Salaries paid to employees are only about 70 percent of compensation costs. The other 30 percent is the cost of required and voluntary benefits. *(Source: U.S. Department of Labor, U.S. Bureau of Labor Statistics, "Employer Costs for Employee Compensation—September 2014)"*

Legally Required Benefits

U.S. employees are guaranteed a number of benefits by law. With a few exceptions, hiring any employee requires the organization to pay Social Security premiums, unemployment compensation, and workers' compensation. Additionally, any organization with 50 or more employees must provide family and medical leave. Companies either pay premiums associated with many of these **legally required benefits** or share costs with employees (as in the case of Social Security) to provide each employee with some basic level of financial protection at retirement, termination, or as a result of injury. These benefits provide a broad range of personal financial security when an employee is unable to work, either temporarily or permanently. It's important to understand each of these four important programs.

legally required benefits
Employee benefits mandated by law.

Social Security

Social Security
Retirement, disability, and survivor benefits paid by the government to the aged, former members of the labor force, the disabled, or their survivors.

Social Security provides a source of income for American retirees, disabled workers, and surviving dependents of workers who have died. Social Security also provides some health insurance coverage through the federal Medicare program. Social Security insurance is financed by employee contributions matched by the employer, and computed as a percentage of the employee's earnings. In 2015, for instance, the rate was 6.2 percent for employees and 6.2 percent paid by the employer on the worker's earnings up to $118,500. Additionally, 2.9 percent is assessed for Medicare on all earned income. Similar to Social Security, employer and employee split this assessment, paying 1.45 percent each in payroll taxes.

Workers must earn 40 credits to be eligible for Social Security retirement benefits. Workers can earn credits for each $1,200 they earn, with a maximum of four credits earned in a year. Prior to 1983, employees became eligible for full benefits at age 65. With revisions to Social Security laws, those born in 1960 and later must wait until age 67 before receiving full retirement benefits.[10] Keep in mind, however, that Social Security is not intended to be employees' sole source of retirement income. Social Security benefits vary, based on the previous year's inflation, additional earnings, and recipient age. For 2012, the maximum monthly Social Security retirement check for a worker retiring at age 66 was $2,513. Given longer life expectancies and a desire to maintain their current standards of living, workers today are expected to supplement Social Security with their own retirement plans. This is true whether or not Social Security will still be around in the year 2041.

Christopher Bissell/Stone/Getty Images, Inc.

An active retirement requires financial planning. Employers and employees contribute toward Social Security, but it was never meant to be a sole source of retirement funds. The purpose was to provide additional income for retirees, disabled workers, and surviving dependents of workers who have died.

Unemployment Compensation

unemployment compensation
Employee insurance that provides some income continuation in the event an employee is laid off.

Unemployment compensation laws provide benefits to employees who meet the following conditions: they are without a job, have worked a minimum number of weeks, have applied to their state employment agency for unemployment compensation, have registered for available work, and are willing and able to accept any suitable employment offered them through their state unemployment compensation commission. Unemployment compensation is designed to provide an income to individuals who have lost a job through no fault of their own (e.g., layoffs or plant closing). Being fired from a job, however, may result in a loss of unemployment compensation rights.

Funds for paying unemployment compensation come from combined federal and state taxes imposed on the taxable wage base of the employer. At the federal level, the unemployment tax (called FUTA) is 6.0 percent on the first $7,000 of earnings of employees. States that meet federal guidelines are given a 5.4 percent credit, resulting in a net tax rate of 0.06 percent. These may not be paid out of employee wages, they are a cost of doing business.[11]

State unemployment compensation tax depends upon a company's unemployment experience. The more often an organization lays off employees, the higher its rate. Eligible unemployed workers receive an amount that varies from state to state but is determined by the worker's previous wage rate and the length of previous employment. Compensation is provided for only a limited period—typically, the base is 26 weeks but may be extended by the state another 26 weeks during times when unemployment runs high. Long periods of high unemployment can deplete state jobless funds to the point that they run out of money. In that case, the states may borrow from the federal government's unemployment trust fund.

Unemployment compensation and parallel programs for railroad, federal government, and military employees cover more than 75 percent of the workforce. Major groups excluded include self-employed workers, employees of organizations employing fewer than four individuals, household domestics, farm employees, and state and local government employees. As past recessions have demonstrated, unemployment compensation provides stable spending power throughout the nation.

Workers' Compensation

Every state currently has some type of **workers' compensation** to compensate employees or their families for death or permanent or total disability resulting from job-related injuries, regardless of fault. These systems vary widely from state to state. Federal employees and others working outside the U.S. border are covered by separate legislation.

workers' compensation
Employee insurance that provides income continuation if a worker is injured on the job.

Workers' compensation exists to protect employees' salaries and to shift the cost for occupational accidents and rehabilitation to employers. The entire cost of workers' compensation is covered by the organization as a cost of doing business. Rates are based on the actual history of company accidents, the type of industry and business operation, and the likelihood of accidents occurring. Most organizations cover these risks through insurance, although some states allow large organizations to self-insure. Insurance may be provided by the state or private insurance companies. Almost all workers' compensation insurance programs, whether publicly or privately controlled, provide incentives for employers to maintain good safety records.

Most workers' compensation plans allow employers to choose the medical care provided for injuries, but allow workers to request alternate care. In addition to medical benefits for injuries related to work, worker's compensation provides benefits for time off of work related to the injury, reduced earning potential due to permanent disabilities, and death benefits paid to a surviving spouse or dependents.

Family and Medical Leave Act

The Family and Medical Leave Act of 1993 (FMLA) organizations with 50 or more employees was covered in detail in Chapter 3. The FMLA was passed to provide employees the opportunity to take up to 12 weeks of unpaid leave each year for family or medical reasons.

Health Insurance Continuation

What happens to an employee's health insurance coverage if that employee leaves the organization or is laid off? The **Consolidated Omnibus Budget Reconciliation Act (COBRA)** may be a solution for those without easy access to alternative coverage. When employees resign or are laid off, they may continue their health insurance benefits for 18 months, although under certain conditions, the time may be extended to 36 months.[12] Employers must notify employees who qualify to use COBRA to extend their benefits coverage within 30 days of the layoff or reduction in hours that qualified the employee for COBRA benefits.[13] The cost of COBRA is paid solely by the employee and can be quite

Consolidated Omnibus Budget Reconciliation Act (COBRA)
Provides for continued employee benefits up to 3 years after an employee leaves a job.

REAL HR ENCOUNTERS

Abusing Worker's Compensation

Occasionally employees find creative ways to use benefits they are not entitled to. HR professionals are often required to "play detective" and investigate Worker's Compensation claims when they don't appear to be legitimate. The following employees didn't do a very good job of covering up their false claims:

- The employee was asked to work overtime on a Saturday. He called the supervisor on Saturday morning and said that he hurt his back on Friday and wasn't able to work. The sympathetic supervisor asked the employee to report to the work site to complete the worker's compensation claim paperwork so the employer could schedule an appointment with a designated physician for necessary medical treatment. Upon arrival at the work site, the employer observed him get out of his pickup truck, lift a wheel chair out of the back of the truck, and wheel himself in to the building. He completed the paperwork for worker's compensation and was asked to remain at work until his medical appointment. He reported that he didn't want to because he had taken an old prescription for the pain, which was a violation of the company drug/alcohol policy. Following the meeting, he wheeled himself out of the building, lifted the wheelchair into the pickup truck, and drove away.
- Another employee with a back injury reported that the pain increased every Wednesday and Friday, preventing him from completing his job duties. He requested permission to leave work at approximately the same time on those days. The employer's research found that on the days the employee left work early, he reported promptly to his second job as a bartender.

expensive because the employee must pay their premium in addition to any share that the employer previously paid. The employer may also charge the employee a small administrative fee for this service.

The HIPAA Requirement

Health Insurance Portability and Accountability Act of 1996 (HIPAA)
Ensures confidentiality of employee health information.

The **Health Insurance Portability and Accountability Act of 1996 (HIPAA)** gives individuals rights over how health-related information is communicated and with whom. This includes any protected health information that involves the health of an individual, health care claims, payment for health care, and insurance information. Health care providers and health insurance companies must obtain permission from an individual before sharing any information with a third party. This only applies to employers if it administers employee health insurance. It does not prevent employers from asking for a note from a doctor regarding employee absences, FMLA leave requests, ADA accommodation requests, drug tests, or fitness-for-duty exams.[14]

Patient Protection and Affordable Care Act

Patient Protection and Affordable Care Act
Reforms the health care insurance system in the United States by expanding the availability and regulation of health insurance coverage and making significant changes to how health insurance coverage is provided and paid for.

The **Patient Protection and Affordable Care Act**, also referred to as PPACA, ACA or Obamacare, was passed by Congress in 2010, significantly changing the responsibilities of consumers, employers, and insurance companies. The act reforms the health care insurance system in the United States by expanding the availability and regulation of health insurance coverage and making significant changes to how health insurance coverage is provided and paid for. Some of the changes include the following:

- **Employer responsibility is expanded.** Employers with 50 or more full-time employees working 30 or more hours each week must offer health insurance or pay a penalty. Penalties also apply to employers who provide plans that are either too expensive for employees to afford or provide very little coverage. Employers with more than 200 employees are required to enroll all employees, unless an employee wants to opt out. Employers must report the value of employee health insurance benefits on W-2 forms. Free Choice vouchers must be offered to employees who want to purchase their own coverage through the Health Insurance Exchanges.

- **Individual responsibility** for purchasing minimum insurance coverage and requiring individuals who do not purchase coverage to pay a fine.
- **States are required to create Health Insurance Exchanges** where individuals and small employers can purchase insurance.
- **Insurance companies are required to expand coverage.** They must eliminate lifetime limits, end restrictions on preexisting conditions, restrict annual limits, and provide coverage for employee's children up to age 26.

Other provisions include caps to Health care Spending Accounts, taxes on expensive insurance plans, creation of long-term care coverage purchased through the workplace, and protections for nursing mothers up to a year after the birth of a child that include breaks to express milk in a private location.[15]

Voluntary Benefits

Why offer voluntary benefits? They can be expensive and are not legally required. Why wouldn't smart employers just skip the expense? The answer is strategy. Employers who value human capital and want to have talented and engaged employees must offer competitive benefits the same way they must offer competitive salaries. Organizations work hard to put together a package of voluntary benefits that will attract, motivate, and retain the most qualified employees. Organizations that offer the most extravagant benefits usually are in industries that struggle to recruit employees with scarce and valuable skills. The voluntary benefits offered by an organization are limited only by management's creativity and budget. Some of the most common and critical ones are health insurance, retirement plans, time off from work, and disability and life insurance benefits. Exhibit 12-2 illustrates a very competitive package of voluntary benefits similar to packages found at larger telecommunications companies.

Health Insurance

Health benefits are an important factor when candidates determine whether to accept a job offer or not, but in addition to the strategic goals of attracting and maintaining a qualified workforce, health insurance is to protect the employee and his or her immediate family from the catastrophes of a major illness and to minimize their out-of-pocket expenses for medical care. A good health plan can give employees access to world-class health care, help employees and their families prevent or treat common illnesses and protect employees and families from financial disaster when serious illness or injury occur. The problem is that not everyone has the same expectation of what services health insurance should provide and options for health care access in different locations can vary widely. Employers also vary in their ability to afford coverage. For these reasons, the insurance industry has created several types of health insurance in attempt to satisfy diverse employee and employer needs. Let's look at some facts and figures on the increasing costs of health care insurance to employers and employees:

- The average annual premiums for employer-sponsored health insurance are $6,025 for single coverage with employees contributing an average of $1,081.
- Average annual premium for family coverage is $16,834 with employees contributing an average of $4,823.
- From 2004 to 2014, premiums for family coverage increased 69 percent.[16]

Exhibit 12-2
Benefits Overview

This table outlines benefits that are common at large communications companies. Which would be most important to you?

Benefits	Date Eligible	Minimum Weekly Hours for Eligibility
Health Benefits		
• Medical	After 1 month of employment with minimum weekly hours	30 hours
• Prescription medications		
• Dental		
• Vision		
• Orthodonture		
Life Insurance		
• Employee	After 1 month of employment with minimum weekly hours	30 hours
• Dependent		
• AD&D		
Domestic Partner Benefits	After 1 month of employment with minimum weekly hours	30 hours
Disability Protection	After 6 months of employment	30 hours
• Short-term disability		
• Long-term disability		
Optional Benefits	After 1 month of employment	30 hours
• Prepaid legal services		
• Long-term care insurance		
• Car and homeowners insurance		
• Pet health insurance		
Financial Planning	Upon employment	None
• 401 k Plan		
• Employee stock purchase plan		30 hours
More Benefits		
• Paid time off	Upon employment	30 hours
• Employee assistance program		
• Travel insurance		
• Charitable contribution matching		
• Adoption assistance		
• Relocation assistance		
• Employee discounts		
• Employee wellness center		
• Personal training		
• Tuition reimbursement		

These costs are expected to continue to rise. As a result, many organizations have been looking at a variety of cost-cutting measures including the following:

- Raising deductibles or percentage of premiums that employees pay.
- Implementing or strengthening wellness programs.
- Adding stronger financial incentives for participation in wellness programs, such as lower premiums for employees.
- Availability of prescription drug mail-order with smaller co-pays or mandatory generic prescriptions.
- Adding a smoker surcharge.
- Access to online doctors.
- Availability of employee assistance programs.
- Onsite clinics.[17]

Health care typically covers major medical expenses such as prescriptions, medical supplies, and equipment necessary for treatment and recovery. Specific coverage will vary based on the organization's chosen health care plan. Popular options include health maintenance organizations (HMOs), preferred provider organizations (PPOs), point-of-service (POS), high deductible health plans (HDHPs), and consumer-driven health plans (CDHPs). All are designed to provide protection for employees, but each does so in a different way. Let's look at each of these various types of plans.

Health Maintenance Organizations (HMOs) Employees belonging to an HMO choose a primary care physician who has a contract with the HMO. The HMO pays for all services the primary care physician provides and the employee usually pays a small co-pay. The downside is that HMOs provide full coverage only if clients receive services from selected providers. Treatment or services by health care providers who are outside of the HMO requires either permission from the primary care physician or greater out-of-pocket expense. This requirement may significantly limit freedom of health care choice. In spite of that restriction, the overall cost savings far outweigh the inconvenience or expense.

Preferred provider organizations (PPOs) have a large network of doctors, hospitals, and other related medical service facilities to provide services at a reduced cost. In return for accepting this lower cost, the employer or the insurer promises to encourage employees to use their services. As long as a physician or the medical facility is participating in the health network, the services are covered. The employee who uses a participating physician typically incurs a fixed out-of-pocket expense (defined by the agreement). However, if an employee decides to go elsewhere for services, the service fee is reimbursed according to specific guidelines.

Point-of-Service (POS) plans require that primary care physicians provide most health services and make referrals like HMOs. Those referrals can be out of network, but the employee must pay the service provider and seek partial reimbursement. These plans include elements of HMO and PPO plans, but tend to be less expensive for the employer.

High Deductible Health Plan (HDHP) is an employer-provided health plan that has low monthly premiums and a high **deductible**, possibly as high as $5,000 per year. These are less expensive for employers because significant costs are shifted to the employee through the high deductible. Deductibles are the amount the consumer pays out of his or her own pocket before the insurance begins to pay the remaining expenses of health care.

Consumer-Driven Health Plans (CDHPs) are gaining popularity because they are inexpensive for the employer and offer the greatest flexibility for the employee. They include three parts:

- A High Deductible Health Plan (HDHP) with low premiums and high deductibles for employees.
- A **health savings account (HSA)** with tax advantages to which the employee or the employer contribute. Contributions may be only used to pay the deductibles or medical expenses and may be carried over to the next year if not used.
- Decision support and counseling to assist employees to make informed health care services decisions.

Employees use money in the health savings account to pay for deductibles and other medical care not covered under the high deductible health plan, such as prescriptions, dental, and vision care (Exhibit 12-3).

health maintenance organization (HMOs)
Provide comprehensive health services for a flat fee.

preferred provider organizations (PPOs)
Organization that requires using specific physicians and health care facilities to contain the rising costs of health care.

point-of-service (POS)
Health care plan that includes primary care physicians but allows greater flexibility for using services out of the network.

high deductible health plan (HDHP)
Health plans with low premiums and high deductibles.

deductible
Amount that insured employee pays for medical expenses out of pocket before insurance pays the remaining expenses.

consumer-driven health plan (CDHP)
Combines a health plan with a high deductible with a health savings account that the insured uses to pay for deductibles and medical care.

health savings account (HSA)
Savings account with tax advantages used to pay out-of-pocket medical expenses and deductibles.

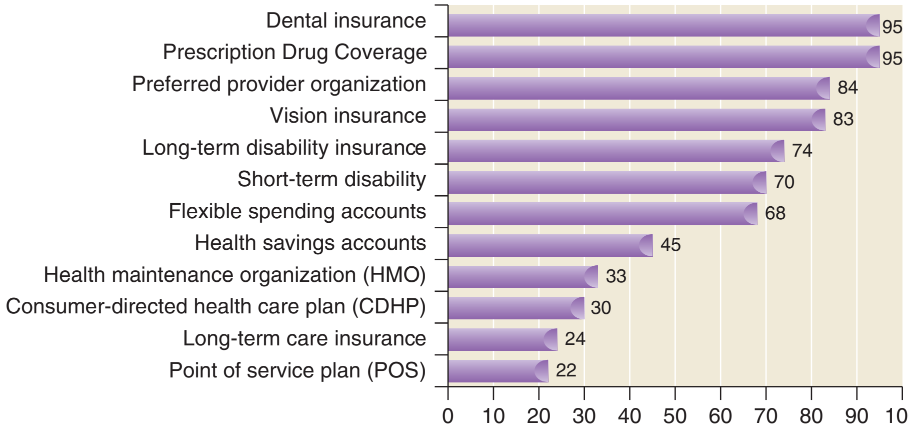


Exhibit 12-3
Percent of Private Employers Offering Selected Health-Related Benefits

Employers offer a variety of popular benefits depending on employee preference, budget, and strategic goals.

Disability Insurance

Simon had worked at his employer for almost 2 years when he had a terrible crash on his bicycle that required several weeks in the hospital and extensive physical therapy before he was able to return to work. His employer-provided health insurance covered nearly all of the medical expenses, and the FMLA provided reassurance that his job was safe, even if his recovery took up to 12 weeks. The problem was that he only qualified for 18 days of paid sick leave, which was over before he was even released from the hospital. Fortunately for Simon, his employer was one of the 74 percent[18] that offer a short-term disability plan. The disability insurance only replaced 65 percent of his salary, but it helped him pay expenses and avoid going into debt as he recovered. Short-term and long-term disability insurance programs allow employers to provide some income security when employees exhaust their earned sick leave.

short-term disability insurance
Pays a percentage of employee salary if a disability required missing work for up to 6 months.

long-term disability insurance
Provides replacement income for an employee who cannot return to work and whose short-term coverage has expired.

Short-Term Disability Plans provide anywhere from 50 to 100 percent of an employee's salary if illness or injury require time away from work beyond a specified time, commonly 1–2 weeks. These plans usually provide coverage up to 6 months.

Long-Term Disability Plans Similar to short-term disability, long-term disability programs provide replacement income for an employee who cannot return to work and whose short-term coverage has expired. Long-term disability usually becomes effective after 6 months, typically replacing 60 percent of the employee's salary. Plans may provide coverage for 2–5 years, but may continue until retirement age. Proof of further disability is usually required after the 2–5 year limit. Plan providers may provide assistance to the employee in order to regain employment in the original occupation or provide training for another profession.

Group Term Life Insurance

Many employers offer a small amount of group term life insurance to full-time employees. This coverage is frequently equal to the employee's annual salary, but a survey by *Workforce Management* found that 75 percent of employers offer supplemental life insurance that allows the employee to increase the amount of coverage for an additional fee paid by the employee. The additional coverage may be two to five times the employee's salary or original coverage, and may not require a medical examination. Many employers also offer opportunities for employees to purchase life insurance for a spouse and dependents at group rates. The additional fee is usually substantially less than the employee would have to pay if the insurance was purchased individually from another provider.

Other Popular Benefits

Travel Insurance Employers that require extensive international travel may provide air ambulance service to return ill or injured employees back to the United States. Travel insurance policies also cover employees' lives in the event of death while traveling for work. An employee who normally commutes to work would not be covered under an employer-paid travel insurance benefit if an accident happened on the way.

Dental and Vision Insurance Dental and Vision insurance offered by employers are administered by an insurance company. Employers pay all or part of the premium and the employee pays the remainder of the premium and a percentage of the cost of the dental, orthodontic, or vision care. The cost of contact lenses and glasses may also be covered.

Tuition Reimbursement Programs A quick survey of your HR class might find students receiving education benefits from the military as well as part-time and full-time students receiving tuition assistance from employers. These programs vary widely in the amount of reimbursement, college programs that qualify and grades required. The IRS sets limits on the amount of reimbursement that can be exempted from withholding tax, so many employers offer that amount as a ceiling for reimbursement. Education benefits support organizational strategy by helping employees meet career goals and the organization to meet employee development goals.

Employee Assistance Programs Sometimes, life gets out of control in ways that traditional work–life balance programs just can't help. For those situations when employees need help with personal issues that affect focus, productivity, attendance, and emotional balance, many employers provide Employer Assistance Programs (EAP). These programs provide confidential counseling and referral services for a wide range of issues such as substance abuse, financial problems, legal counseling, relationship problems, stress management, child care resources, and retirement planning. Employers contract with EAP service providers and services are usually free to employees. Employers benefit from decreased turnover and absenteeism and improved employee engagement.

employee assistance programs (EAPs)
Provide confidential counseling and referral services for a wide range of employee issues.

Wellness Programs Concerns over the increase in "lifestyle" diseases that develop from unhealthy lifestyles that include lack of exercise, poor eating habits, alcohol consumption, and tobacco product use have prompted over half of U.S. employers to develop wellness programs. The goal of these programs is to decrease the risk of chronic diseases such as obesity, diabetes, and heart disease. Employers also hope to reduce the cost of health-related work absences, disabilities and presenteeism, or low productivity when at work. Reduced cost of health care benefits is also a goal.

wellness programs
Organizational programs designed to keep employees healthy.

Wellness initiatives begin with employee health risk assessments or wellness screening, which includes surveys, blood pressure screenings, and blood testing. Results of these assessments can identify employees at risk of a number of illnesses and refer them to prevention programs, which may include nutrition and weight loss programs, tobacco-cessation programs, stress management, and health and fitness coaching. Employers may offer incentives for employees for participation, which may include reduction of insurance premiums, improved benefits packages, or cash awards. A recent survey found that over two-thirds of employers provide some type of financial incentive for employees to participate in wellness programs.[19]

Incentives may help, but the success of these programs depends heavily on how well HR communicates the availability and benefits and opportunities for participation, participation and engagement of organizational leadership, partnering with health plans, and frequent re-evaluation of the program with feedback of employees.[20]

Offering Choices to Employees

Most employers offer a selection of benefits that allow employees to create a package that fits their personal needs, priorities, and lifestyle. This ensures that employers are not paying for benefits that are not wanted used. This type of benefit selection plan is called **flexible benefits** or cafeteria plan benefits. Employees are presented with a menu of benefits and asked to select, within monetary limits imposed, the employee benefits they desire. Today, almost all major corporations in the United States offer flexible benefits. Three plans are popular: flexible spending accounts, modular plans, and core-plus options.

flexible benefits
A benefits program in which employees pick benefits that most meet their needs.

Flexible spending accounts are similar to Health Savings Accounts in that they permit employees to set aside money co-payments for office visits, prescription drugs, some over-the-counter drugs, contact lenses, eyeglasses, orthodontia, and hearing aids. They go a bit further to allow employees to also set aside money for dependent care expenses such as daycare and elder care. By contributing a specified amount out of each paycheck, the employee can pay for these services with income not included in W-2 income, which can result in lower federal, state, and Social Security tax rates and increase individual spending income. Exhibit 12-4 demonstrates how using a flexible spending account can result in more take-home pay for an employee. Money deposited into these accounts must be spent during the year of the contribution. IRS rules allow only a small amount to be carried over to the following year. This point must be clearly communicated to employees to avoid misconception of the plan requirements.

flexible spending accounts
Allow employees to set aside money before payroll taxes to pay for health care or dependent care.

Exhibit 12-4

To Flex or not to Flex?

Flexible Spending Accounts lower your monthly paycheck, but end up putting money in your pocket by reducing taxes.

	Without Flexible Account	With Flexible Account
Gross monthly pay	$2,500	$2,500
Retirement deduction	150	150
Pretax payroll deduction	0	600*
Administrative fee	0	5
Taxable gross income	$2,350	$1,750
Payroll taxes	530	315
Amount of paycheck	$1,819	$1,435
After-tax expense	600*	0
Spendable monthly pay	$1,219	$1,435
Additional monthly income with flexible spending account		$216

*Assumes an employee is depositing monies monthly in a flexible spending account for these monthly expenses:

Health insurance deduction	$150
Dental insurance deduction	$20
Dependent care deduction	$400
Medical expenses deduction	$30

Source: Based on a similar example presented in South Carolina Budget and Control Board, 2006 Money Plus (2005), p. 7. Some numbers have been rounded to simplify exhibit.

REAL HR ENCOUNTERS

Whiteboard Puts a Face on the Cost of Health Insurance

Kathy Mabe, HR Professional

As a representative of a health insurance company, I met with school district administrators and teacher's union representatives about increasing health insurance premium costs, and what they could do about them. During the meeting, the superintendent explained that the school district budget could not absorb the increased cost. He went on to explain that they would be forced to reduce coverage or cut jobs if the teachers' union didn't agree to increase the deductible and co-insurance teachers would need to pay in order to keep the same coverage.

After failing to convince the union representatives that the school district budget could not cover the increases, the superintendent went to the whiteboard and drew several circles. He put faces in the circles and added names to represent the employees that would lose their jobs if the district couldn't find a way to reduce their insurance costs. The teachers' representatives were shocked at the superintendent's whiteboard illustration, but it apparently made an impression. In the end, the teachers' union agreed to make changes, and the employees depicted in the whiteboard kept their jobs.

Retirement Benefits

Have you given thought to your own retirement? Many young workers are more concerned about repaying mounting college debt than saving for the far off dream of retirement. Additional financial challenges such as low interest rates for savings, fewer employer-provided pension plans, flat wage growth, and uncertainty about the future of Social Security make it harder for today's students to build retirement savings than their parents' generation.

Vesting rights guarantee an employee's right to a pension benefit.

Employers can provide valuable help with these concerns. Retirement plans can be a way to attract qualified employees of all ages with the added benefits of increasing retention, productivity, and employee satisfaction. Employers work hard to create retirement savings plans that reflect the financial realities of an unpredictable economy and the needs of employees. Most recognize the limitations of the Social Security system and are developing plans that do not rely on Social Security to sustain the lifestyle most people have grown accustomed to in their working years.

© svetikd/iStockphoto

College debt and other financial pressures make it tougher for young workers to save for retirement than it has been for their parents. Employers try to help with a variety of retirement plans.

Employee Retirement Income Security Act (ERISA)

Imagine being a retiree who depends on an employer-backed pension plan for retirement income and learning that the employer is bankrupt and your pension plan is bankrupt too. Retirement plans are highly regulated by the **Employee Retirement Income Security Act (ERISA)** of 1974 to help prevent that situation or cushion the blow a bit when it does happen. ERISA was passed in response to public outrage over the failure of several underfunded pension plans that left retirees with meager or no benefits. ERISA requires employers to keep pension plan assets separate from the business assets and outlines a number of other safeguards to prevent abuse of pension funds and defaulting on pension obligations.

ERISA also requires that a **summary plan description (SPD)** be provided to qualifying employees within 90 days to inform employees about retirement plans in plain language the employee can understand. The summary plan description includes eligibility requirements, how benefits are determined, how employees may claim benefits, and when an employee earns **vesting rights**, which is a guarantee of pensions when one retires or leaves the organization.

ERISA also created the **Pension Benefit Guaranty Corporation (PBGC)** to administer pension plans that are terminated or abandoned by employers. This typically happens when an employer is in financial trouble or bankruptcy and seeks to cancel the obligations of their pension. In this case, the PBGC makes sure that retirees receive a minimum benefit, which is usually substantially less than the promised pension benefit from the employer. The PBGC is funded by insurance premiums by covered employers and assets of companies surrendering their pensions. Tax dollars do not support the PBGC; however, a large number of failed or surrendered pension plans have created financial liabilities that far exceed assets and income. The premiums paid by employers have been rising, but income has not kept pace with liabilities to retirees.

Employee Retirement Income Security Act (ERISA)
Law passed in 1974 designed to protect employee retirement benefits.

summary plan description (SPD)
An ERISA requirement of explaining to employees their pension program and rights.

vesting rights
The permanent right to pension benefits.

Pension Benefit Guaranty Corporation (PBGC)
The organization that lays claim to corporate assets to pay or fund inadequate pension programs.

Defined Benefit Plans

Defined benefit plans specify a fixed monthly amount of income for life. Plans are funded by contributions by employee and employer into a trust fund and the fund is managed by an administrator that makes investments for additional income. The amount of benefit is usually determined by a formula that includes variables like years of employment, salary, and age of employee at retirement. Defined benefit plans have become scarce in private industry, but remain common for state and local governments or industries that are highly unionized.

defined benefit plans
A retirement program that pays retiring employees a fixed retirement income based on average earnings over a period of time.

Defined Contribution Plans

Defined contribution plans differ from defined benefit plans in at least one important area: no specific amount of retirement income is promised. Each employee has an

defined contribution plan
No specific benefit payout is promised because the value of the retirement account depends on the growth of contributions of employee and employer.

ETHICAL ISSUES IN HRM

Airline Pensions Crash and Burn

When United Airlines could no longer fund its pension plans, it turned them over to the Pension Benefit Guaranty Corporation (PBGC) and became the largest pension plan failure in history, owing over $9 billion to the pension.

So far, the PBGC manages the pensions of over 4,200 companies that failed to adequately fund their defined benefit pension plans, including several airlines such as Delta, Eastern, TWA, and US Airways. These airline employees will continue to receive pensions, but under PBGC guidelines, pensions are limited to a maximum of approximately $60,000 a year. In many cases, this is half of the annual benefit airline employees were expecting under the airline's defined benefit pension plan. Many employees will make substantially less, particularly if they retire before they reach age 65.[21]

How did this happen? Deregulation, competitive pressures, and the economy have all led to serious financial problems for the large airline carriers. As the amount of money the companies owed to retirees and potential retirees increased, airline income decreased and the retirement funds earnings decreased, leaving the pension plan underfunded.

Bad news for the retirees can also mean good news for the company, however. Without the financial burden of the retirement fund liabilities, the company can emerge with lower operating costs and become more financially stable and competitive. United and Delta restructured following their bankruptcy and continued to fly. Essentially, this means that broken promises to employees and retirees who were counting on their retirement pension income could potentially save jobs.

Ethical questions:

Should retirees be insulated from the financial problems of their former employers, or should they share in the financial consequences as the current employees do?

individual account, to which both the employee and the employer may make contributions. The plan establishes rules for contributions. For example, a company's defined contribution pension plan could allow employees to select both a money purchase plan and a profit-sharing plan in which the company matches up to 6 percent of salary. Many plans allow employees to chose how much to contribute and how it is invested. For instance, an employee may select bonds for security, common stocks for appreciation, an inflation hedge, or some type of money market fund. Upon retirement, employees receive control of the account and may decide how to use it for retirement income.

73162
FedEx
Ground

Although matching an employee's contributions to a 401k retirement account is a popular way for employers to help employees prepare for retirement, difficult economic conditions may require an employer to cut or eliminate those contributions. FedEx, along with UPS, 7-Eleven, Macy's, Sprint, and many others have occasionally reduced or temporarily halted their 401k match when met with financial challenges.

Alamy

Money Purchase Pension Plans Money purchase pension plans are one type of defined contribution plan. Under this arrangement, the organization commits to deposit annually a fixed amount of money or a percentage of the employee's pay into a fund. IRS regulations, however, permit a maximum 25 percent of a worker's pay. Money purchase plans have no fixed specific retirement dollar benefits as under a defined benefit plan. Companies do make projections of probable retirement income based on various interest rates, although the company is not bound to the projection.

Profit-Sharing Plans Profit-sharing pension plans are another variation of defined contribution plans. Under these plans, the company contributes to a trust fund account an optional percentage of each worker's pay (maximum allowed by law is 25 percent). The company is not bound by law to make contributions every year, but some employers feel a moral obligation to make a contribution even when profits are slim or nonexistent.

Individual Retirement Accounts **Individual retirement accounts** have gone through many changes. Two types now exist to assist small business owners and self-employed people.

- Simplified employee pension plan IRA (SEP IRA) allows small business owners to contribute up to 25 percent of an employee's compensation into an individual retirement account. The plan is easy to create and has tax savings to the employer, but contributions can only be made by the employer.
- Savings incentive match plan for employees IRA (SIMPLE IRA) allows employers that have no retirement plan and 100 or fewer employees to contribute to an IRA. Employees can contribute to a SIMPLE IRA, as long as the employer matches the employee contribution up to 3 percent of compensation.[22]

individual retirement accounts A type of defined contribution plan with employer contributions.

401(k)s A 401(k) program is named after the IRS tax code section that created it. These programs permit workers to set aside a certain amount of their income for retirement savings through their employer. These contributions are not subject to federal withholding tax at the time of contribution. Many companies match employee contributions up to a maximum percentage. The most common match is 50 cents for each dollar of employee contribution up to the first 6 percent of pay.[23] Company matches may be suspended during difficult financial conditions, but many resume matching employee contributions when their economic outlook improves. Contributions are not taxed as income until the employee withdraws them.

A twist on the 401k allows employees to pay taxes on their contribution when they are earned and contributed to the 401k. The money is allowed to grow until retirement,

CONTEMPORARY CONNECTION

Leaving It Up to You: Paid Time Off Leave (PTO)

Diane's employer allowed her a relatively generous 15 sick days each year. She was even allowed to accumulate them up to a total of 90 days. That didn't take too long because Diane very rarely called in sick. But when her daughter's medical condition required travel out of state for major surgery, she was told that only 2 days would qualify for paid leave because it was a family member who was ill, not Diane. "The policy is unethical" explained Diane "Conscientious employees don't really want to miss work, so they go to work sick and only call in when their kids are sick."

Some companies have solved this problem by doing away with labels such as "sick leave" and "vacation" and replaced them with a bank of time called "Paid Time Off," or PTO. Employees may use the days in the PTO bank with no explanation necessary to the employer. Officially, the employer doesn't care why the employee is gone, although they may still ask for record-keeping purposes. Employees like Diane wouldn't be tempted to be dishonest when requesting leave for a reason that might not otherwise be covered. This seems like a win-win for all, but as with any policy, there are pros and cons:

Pro: Employees like the idea of PTO, and it assists with recruiting and retention. Healthy employees can take unused time off for extra vacation days. Employees feel that they are being more honest with employers about the reasons they are not at work. Employees appreciate the flexibility and trust that employers offer with PTO policies. Unexpected absences are reduced as employees schedule a PTO day in advance rather than call in sick when missing work for a personal reason. PTO offers privacy to employees who may not want to explain that they are missing work for medical tests and doctor's appointments.

Con: Abuses may occur. Since the employer officially doesn't care why the employee is gone, employees may miss work for reasons they would not have missed work for under a traditional leave plan. Employees may use more leave under a PTO plan or think of all PTO time as "vacation" time, so if they are sick, they come to work anyway, spreading illnesses to their coworkers.

Abuses can be reduced if the culture of the company encourages trust and empowerment and employees are evaluated by results. Clear guidelines for using the PTO system, employee education, and encouraging sick employees to go home will also help make the system work properly.

Consider this:

Would you use your paid leave time differently if you were able to take PTO time rather than sick time? Do leave policies encourage workers to come to work sick? Have you seen a similar situation with classes that have attendance policies?

and the increases earned are not taxable when the retiree withdraws the income. These are called Roth Contributions, and basically allow the employees to prepay the taxes on retirement income.

Many organizations have developed 401(k) programs as replacements to their Defined Benefit pension programs. Both employers and employees have found advantages to offering capital accumulation plans. The cost of providing retirement income for employees is lower, and employees can supplement their retirement program and often participate in investments. Employees are offered the ease of contributing to their 401(k) through payroll deductions.

Leave Benefits

All work and no play isn't good for anyone. Going to work when you're sick isn't good for anyone either. Employers have a variety of plans to let employees take paid and unpaid time off work for a variety of reasons including vacation, illness, education, holidays, military service, bereavement, parenting responsibilities, volunteering, birthdays, or for no reason at all.

Paid Time Off (PTO)

paid time off (PTO)
Vacation, sick leave, personal days, and holidays combined into one account managed by employees.

A PTO plan combines vacation, sick leave, personal days, or nearly any other reason for needing time off into one account managed by employees. The concept is gaining in popularity because of the flexibility it gives employees and the simplicity of administering the program for HR. PTO is accrued according to the amount of time employees worked and the employees' position. Many organizations allow employees to sell back unused PTO days or donate them to a pool that can be used by employees who have exhausted their leaves for specified reasons. A few organizations such as Netflix, Virgin Group, and HR compensation resource website PayScale allow unlimited PTO. This obviously won't work everywhere, but organizations whose workforce is composed of professionals with clear performance goals may find that productivity and retention actually improve. In reality, only 1 percent of U.S. employers have unlimited PTO.

Vacation and Holiday Leave

After employees have been with an organization for a specified period of time, they usually become eligible for a paid vacation. Common practice is to relate the length of vacation to the length of employment and job classification. Exhibit 12-5 illustrates how employees might earn time off that increases with time employed. Surprisingly, the United States is one of the few developed countries that doesn't require employers to offer any paid vacation time at all. When vacation and paid holidays are combined,

Exhibit 12-5
Sample Paid Time Off (PTO) Policy

PTO combines holiday, vacation, and sick leave into one account managed by employees. PTO is accrued according to the amount of time employees worked and the employees' position, as shown in this table, similar to PTO programs in large medical centers.[24]

Employee Status	Service Year	PTO Days	Accrued Per 2 Week Pay Period
Nonexempt	0	23	7.08
	2	28	8.62
	10	33	10.15
	15	35	10.77
Exempt	0	28	8.62
	2	33	10.15
	10	35	10.77
	15	38	11.69

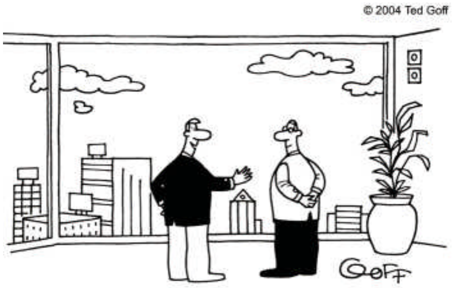
Employees working less than 40 hours per week but more than 20 hours per week will earn PTO on a prorated basis. Staff working less than 20 hours per week are not eligible for PTO. Employees may sell back PTO or donate PTO according to the guidelines in the Benefits Handbook.
Employees will be allowed bereavement and jury duty according to the guidelines in the Benefits Handbook.

Austria leads the world with 38 total paid days off each year. Even workaholic Japan requires 10 paid days off each year.[25] Although no paid leave is required in the United States, employees average ten paid vacation days after the first year of employment.[26] See Exhibit 12-7 for a comparison of the paid vacation required in selected countries.

Workers lucky enough to have paid time off often don't take it. A recent survey that found that as many as 70 percent of American workers didn't take all of their vacation time. Reasons included anxiety over job security, heavy workloads resulting from minimal staffing, and cultures that value devotion to the job over personal life. Employers may not benefit much from the increased number of days spent on the job. Right Management, sponsors of the survey, warn that vacation time is fundamental to a healthy, productive work force (Exhibit 12-6).[27]

Research has shown that benefits of taking time off include reduced stress and improved productivity. So why do so many employees leave paid vacation time unused? For some, it's financial. Employers like the one in Exhibit 12-7 allow employees to sell unused vacation days back to the company. Others fear that a mountain of work will await them upon return. It might also have its roots in an organizational culture where employees are afraid of being seen as lacking dedication or losing "face time" when using earned PTO.[28] Even when PTO is used, many employees simply cannot completely leave the office behind. The *American Psychological Association* found that 44 percent of working adults check e-mail while on vacation.[29]

Paid holiday time off is offered in the United States for a variety of federal, state, local and religious holidays. Rather than specify religious days as holidays, many employers with a culture of diversity and inclusion provide floating holidays for employees to use. This allows accommodation for time off for a variety of religions.



"We've placed beach vacation billboards in plain view from all our competitor's offices, thereby reducing their productivity by 15%."

Exhibit 12-6

Vacations Improve Productivity

Employees who don't take vacation time may suffer from reduced productivity. *(Source: ©2004 Ted Goff)*

Country	Paid Vacation Mandated
Austria	38 days
Germany	30 days
Australia	28 days
Norway	27 days
Canada	19 days
Japan	10 days
United States	None required

Exhibit 12-7

Paid Vacation Mandated in Selected Countries

Most developed countries require employers to offer some paid vacation every year.[30]

ETHICAL ISSUES IN HRM

Making Sick Leave a Required Benefit?

Sick leave may be leaving the category of "voluntary benefits" and moving to the "required benefits" category, depending on where you live. Currently, several cities including New York City, San Francisco, and Philadelphia require sick leave for employees. This trend has led to several unsuccessful proposals requiring sick leave in 12 states.

Supporters of the initiatives claim that mandatory paid sick leave would save money for employers because sick employees would stay home rather than come to work and spread illness, reducing productivity. Most other industrialized countries require some paid sick leave. Opponents include business groups that point out that nothing is free. Cuts would be made in other areas such as pay, or benefits such as health care and vacations.

Ethical questions:

Should paid sick leave become a legal requirement? Do the benefits outweigh the costs? Where do you stand on the issue?

Sick Leave

Like PTO and vacation leaves, sick leave is typically accumulated at a specific number of days for each year of service. Regardless of whether sick leave is used, it continues to accumulate up to a maximum number of days. In order to combat employees misusing sick leave for unauthorized reasons, some organizations buying back unused sick leave, provide a buyout upon separation from the company, or allow workers to donate sick leave to coworkers who have serious illnesses and have exhausted their sick leave.[31]

Benefits in a Global Environment

Benefits packages offered in other countries are often tailored specifically to the countries unique culture, government regulations, and competition for the best employees. HR must develop a benefits strategy that responds to the different combinations of benefits provided by the government, benefits the government requires the employer to provide, and additional benefits employers provide to be competitive. Exhibit 12-8 illustrates common benefits strategies in a few selected countries.

Exhibit 12-8

Examples of Benefits Offered in Selected Countries

Employers must consider each country's combination of government provided benefits, benefits that employers are required to provide, and benefits that are offered voluntarily to match competition and provide motivation.

Global Benefits Around the World[34]

Country	Government-Mandated Benefits	Government-Provided Benefits	Culturally Attractive/ Motivational Benefits
Canada	Vacation days Holidays Time off for child care, elder care, and hardship	Universal health care Unemployment insurance Prescription drugs Eye care Dental care Workers' compensation Maternity/paternity leave Employment standards	Vacation Maternity–paternity leave Business travel Work–life balance initiatives Extra health benefits
China	Pension insurance Medical insurance Unemployment insurance Maternity insurance Housing fund Paid annual leave Medical treatment period (for nonoccupational injuries and illnesses)	Pension Medical insurance Occupational injury benefits Unemployment benefits Maternity benefits Housing fund	Supplemental medical benefits Dependent medical benefits Company outings/travel
Germany	Social security Health insurance Parental leave Protection of working mothers Minimum wage, in some industries Health insurance Long-term care insurance Six weeks' sick pay	Social security Health insurance Long-term care insurance Unemployment insurance Occupational accident insurance Federal child-raising allowance Federal parental benefit	Company car Company pension Sabbatical Additional days off for special reasons Company-sponsored daycare Free lunch Preventive medical services

Source: Excerpted from "Global Benefits Around the World," a web extra to "Learn the Landscape" by David Tobenkin in *HR Magazine*, May 2011. Copyright 2011, Society for Human Resource Management, Alexandria, VA. Used with permission. All rights reserved.

Popular categories of employee benefits vary widely when applied to a global workforce.

- **Leaves** provide some of the biggest differences in benefits that governments require employers to offer. On the low end, China and U.S. federal laws do not require employers to offer any paid vacation or leave time. U.S. employers typically voluntarily offer 10–15 days of leave annually. Most developed countries require a few days to several weeks of vacation time each year. Additionally, approximately two-thirds of all countries require paid maternity leaves of 4–12 months.[32]
- **Health care** is a government provided benefit in many countries, making it unnecessary for employers to provide them. Employers may find that health care services in some countries are very basic and employers often offer supplemental health insurance.
- **Pension Plans** similar to defined benefit plans or Social Security are provided by many governments, and employers are not required to provide additional retirement benefits. In countries with no established pension plans, employers may offer their own defined contribution benefit plan.
- **Other Benefits** may be provided to stay competitive or to provide tax relief for workers. For example, an employer may provide transportation or housing rather than salary to reduce income taxes the employee would owe. Other benefits may include travel, education benefits including English classes, and cafeteria benefit plans for executives who want to tailor their benefit packages.[33]

Summary

(This summary relates to the Learning Outcomes identified on page 264). After having read this chapter, you will be able to

1. **Explain the elements of an effective benefits program.** Effective benefits programs help accomplish strategic goals, consider the needs of employees, offer a variety of benefits for diverse employee needs, help employees balance work and personal life, and are effectively communicated to employees.
2. **Outline the legally required benefits that employers must provide.** Legally required benefits include Social Security benefits, unemployment compensation, workers' compensation, Family and Medical Leave Act, and health insurance continuation. Health Insurance Portability and Accountability (HIPAA) and the Patient Protection and Affordable Care Act outline employer responsibility for keeping employee health information confidential and expanded employer responsibility for providing opportunities for employee health insurance.
3. **Describe the major types of health insurance options and other voluntary benefits commonly provided.** Health insurance reduces health care expenses for employees. Types of insurance include HMOs and PPOs designed to provide a fixed out-of-pocket alternative to health care coverage and negotiate for reduced rates for plan members POS, which are similar to HMOs and PPOs, but allow plan members more flexibility for health care outside the network, HDHP and CDHPs with a high deductible, and a health savings account (HSA) that the insured uses for deductibles and out-of-pocket expenses. Other common voluntary benefits include short- and long-term disability insurance, life insurance, travel, dental and vision insurance, employee tuition reimbursement, and employee assistance programs.
4. **Discuss the types of retirement programs that employers offer and the legal requirements of the Employee Retirement Income Security Act.** Defined benefit plans collect contributions from employers and employees and pay a set amount every month after retirement. Defined contribution plans also collect contributions, but turn the account over to the employee upon retirement. Money Purchase and Profit Sharing plans and Individual Retirement Accounts allow employers to deposit money into an account for employees. 401k accounts allow employees to contribute pretax earnings into retirement savings. Employers often match employee contributions. ERISA outlines safeguards to prevent abuse or default of pension fund

obligations. It also requires communicating retirement plan information to employees and established the Pension Benefit Guaranty Corporation (PBGC) to administer pension plans that are terminated or abandoned by employers.

5. **Outline the different types of employee leaves and their benefits.** Sick leave allows employees time off with pay. Vacation and holiday leave provide paid days off for relaxation. PTO combines all other types of leaves and gives employees complete discretion in how to use them.
6. **Explain the types of benefits offered in a global environment.** Globally, most countries require generous required employee leaves. The United States requires none. Employer provided health care may be very basic. Many governments provide pension plans similar to Social Security.

Key Terms

Consolidated Omnibus Budget Reconciliation Act (COBRA)
consumer-driven health plan (CDHP)
deductible
defined benefit plan
defined contribution plan
domestic partner benefits
employee assistance programs (EAPs)
employee benefits
Employee Retirement Income Security Act (ERISA)
flexible benefits
flexible spending accounts
Health Insurance Portability and Accountability Act of 1996 (HIPAA)
health maintenance organization (HMO)
health savings account (HSA)
high deductible health plan (HDHP)
individual retirement account (IRA)
legally required benefits
long-term disability insurance
paid time off (PTO)
Patient Protection and Affordable Care Act
Pension Benefit Guaranty Corporation (PBGC)
point-of-service plans (POS)
preferred provider organization (PPO)
Social Security
short-term disability insurance
summary plan description (SPD)
unemployment compensation
vesting rights
workers' compensation

HRM Workshop

Reviewing Important Concepts

1. Explain the advantages of offering employee benefits from the perspectives of the employee and the employer. (LO 1)
2. Explain the function and purpose of four legally required benefits. (LO 2)
3. Describe the differences in the types of health insurance plans from the perspective of an employee. (LO 3)
4. Explain the ways ERISA and PBGC provide protection for workers with pensions. (LO 4)
5. What are the major differences between defined benefit pension plans, defined contribution plans, and 401k accounts. Which would you prefer and why? (LO 4)
6. Why is PTO such a popular option over sick leave? (LO 5)
7. How do benefits for employees in other developed countries compare to employees in the United States? (LO 6)

Evaluating Alternatives

8. When interviewed about his new business venture, a local entrepreneur told a reporter "I'll provide every benefit I'm required to by law, and the minimum amount of health insurance I can buy to stay legal." He went on to explain that "voluntary benefits such as life insurance, paid vacations, retirement, and crazy perks like fitness centers, daycare, massages, and nap rooms are gimmicks employers use to get recognized on 'Best Employer' lists. Just pay them a great wage and they can buy their own life insurance and save for their own retirement. It's money they want. Not frills." Evaluate his point of view from both sides. Explain which side you agree with and why. (LO 1, 3, 4, 5)

9. "Social Security should serve as a foundation for employee retirement programs. Therefore, Congress should explore more extensive revisions to the program to ensure that the next generation of retirees will receive the benefit." Do you agree or disagree with this statement? Explain your response. (LO 2, 4)

10. Employers in many other countries are required to provide generous paid leaves compared to the United States. Evaluate the advantages and disadvantages of requiring U.S. employer to provide a minimum amount of paid time off. (LO 5, 6)

Research and Communication Skills

11. Review the chapter opener about the benefits of allowing dogs in the workplace and consider this real-life scenario: An employee is bitten by a coworker's ill-tempered cocker spaniel. The deep bruise and puncture wounds require medical treatment and the victim needs to take 2 days off work to recover. Should the practice be stopped? Do the risks outweigh the advantages? What other legally required and voluntary benefits come relevant because of the injury? Do some research and present your answer to your class. Prepare and present a written policy regarding pets in the workplace for organizations that choose to continue the policy.

12. Search YouTube for a short video related to an employee benefits topic in Chapter 12. Develop a 5–10 minute presentation to your class explaining how the video relates to employee benefits. (LO 1, 2, 3, 4, 5, 6)

13. Survey local employers for the types of benefits they offer. Divide them into categories of small employers with up to 100 employees, medium employers with up to 500 employees, and large employers with over 500 employers. Develop a presentation with visual aids to explain your conclusions and any trends you determine. (LO 1, 2, 3, 4, 5, 6)

14. Survey the benefits and perks offered by employers to employees at

- your college
- a local medical center
- a local manufacturer
- a local financial institution
- other large employer

Prepare a two- to three-page paper comparing the perks offered in your community to those in other areas of the country. (LO 1, 2, 3, 4, 5, 6)

Making a Difference SERVICE LEARNING PROJECTS

Employee health care is a highly valued benefit. Many community health care provider organizations are in need of volunteers.

- Register as a volunteer for your local hospital or medical center, hospice, or free clinic.
- Contact a nearby organization that helps families dealing with serious illnesses such as the Ronald McDonald House or Target House. Offer assistance with meals, cleaning, or babysitting.
- Contact your local office of the American Red Cross about volunteer opportunities.
- Search www.healthcarevolunteer.com or another nonprofit organization that helps match volunteers with healthcare organizations that need volunteers.

As you put your service learning experience together, keep a journal of your activities, the time you spend, contact information for people you work with, and your thoughts about the process. When you're finished, make a presentation to your class about the experience and what you learned. What concepts from Chapter 12 were you able to apply?

Case Application 12-A TROUBLE AT PARADISE

Elena Smithson, HR Director at Paradise Grand, a casino and resort was 10 minutes into a meeting with Sienna Harper, Director of Housekeeping before Sienna got around to explaining why she asked to meet with Elena. "I'm getting divorced" Sienna said softly. "And I need a raise."

Sienna explained that her husband was leaving for a job in another state after months of unemployment had taken a toll on their marriage and finances. "I'm getting a smaller apartment and have cut all the expenses I can, but with two kids under eight, daycare is going to eat up a big percentage of my pay." She went on to tell Elena, "On top of that, my youngest has asthma and our insurance doesn't cover all of his treatments and medication, so I have to pay for that out-of-pocket."

Giving Sienna a raise isn't an option for at least 6 months, so Elena suggested that Sienna might switch to the company's Consumer-Driven Health Plan (CDHP) with a lower monthly premium and a slightly larger monthly paycheck. Elena also explained that starting to contribute to a flexible spending account would also result in a bit more take home pay. Sienna laughed and said, "I had no idea we have all these options and it sounds really confusing." She went on to state "I appreciate your suggestions, but contributing to a Health Savings Account and a flexible spending account is out of the question. I can barely pay my bills!"

Questions:

1. Evaluate Elena's suggestion that Sienna change to the CDHP. What features does Sienna need to consider when selecting her health insurance plan? (LO 3)

2. What expenses can Sienna pay out of a flexible spending account? Explain how the account can save her money. (LO 3)

3. Suggest ways that Paradise Grand can communicate employee benefit options more effectively to employees like Sienna. (LO 1)

4. **Research:** Paradise Grand belongs to an Employee Assistance Program (EAP). Research the services that local EAPs provide that might help Sienna? Determine whether your college offers a Student Assistance Program. (LO 3)

Case Application 12-B PERKS AND PROFITS

Biotech companies are among those that have challenges recruiting employees with technology skills that are in high demand. Their smart talent management and total rewards program have prevented employee shortages by treating employees with respect, sharing the success stories of the lifesaving drugs they produce, sharing financial success with bonuses, rewards for longevity, onsite child care, and improving quality of life by sending employees home with prepared dinners.

Genentech uses genetic information to "discover, develop, manufacture medicines to treat patients with serious or life-threatening medical conditions," according to the company website.[35] The company seems to have a permanent spot on *Fortune's* "Best Places to Work" and also receives "Best Places to Work" honors from *Working Mother*, *LGBT Equality*, and *Computerworld*. The reasons for this recognition are the important work that they do and the strong company culture that values equality and communication. Any discussion of how great it is to work at Genentech always circles back to the benefits that show a real respect for employees. In addition to providing retirement and health care benefits to employees who work at least 20 hours a week and their dependents, they provide family-friendly perks such as unlimited sick leave, personal concierge service, flexible work scheduling, childcare, nursing mother's rooms, onsite nurses, adoption assistance, and company-sponsored family events. The list of innovative benefits goes on to include unusual benefits such as haircuts, pet insurance, weekly car washes, and $10,000 annual tuition reimbursement![36] Zappos, the online shoe retailer, offers perks that match their fun-loving culture such as pajama parties, nap rooms, regular happy hours, and a full-time life coach.[37]

Have these benefits worked for Genentech and Zappos? If you translate longevity to morale and loyalty, you'd say they have. Both boast low turnover rates and high employee ratings for workplace satisfaction.

Questions:

1. Describe the importance of employee benefits as a strategic component of fulfilling the goals of HRM at Genentech and Zappos. (LO 1)
2. Explain how Genentech and Zappos use voluntary employee benefits as a motivating tool. (LO 1, 3, 5)
3. **Research:** Review the findings of three different lists of excellent workplaces such as "Best Places to Work." What strategic role do benefits seem to play in these workplaces? Do any specific benefits seem to be more important than others? Which ones? (LO 1, 3, 5, 6)

13

Managing Health and Safety Risks

Darcy Padilla/The New York Times/Redux Pictures

They are teams of skilled professional athletes and have an abundance of strength, agility, and stamina. They brighten our day when they come through for us. We brag of their performance and wait anxiously for their next appearance. They proudly wear the uniforms of brown, purple, and orange, or the good old red, white, and blue. We are referring of course to the delivery drivers for UPS, FedEx, and the U.S. Postal Service.

Is it a stretch to call them athletes? *Webster's Dictionary* defines an athlete as "A person who is trained or skilled in exercises, sports, or games requiring physical strength, agility, or stamina." That certainly seems to apply to the drivers of UPS, FedEx, and the U.S. Postal Service. How about other professions? Would the strength, flexibility, and concentration it takes to be a firefighter, paramedic, or baggage handler qualify them as athletes, too? How about workers at Boeing who bend, twist, and crawl through small sections of an aircraft, lifting and carrying heavy equipment all day? Would the definition extend that far?

Many of us underestimate the amount of physical exertion and activity in our jobs. The U.S. Department of Labor data indicates that sprains and strains (musculoskeletal disorders or MSDs) are the leading type of illness or injury in every major industry sector, accounting for 40 percent of all injuries. Most are caused by falls or overexertion. Sounds pretty similar to athletic injuries, doesn't it? The average UPS driver lifts over 1 million pounds annually while climbing in and out of trucks, handling an average of 350 packages daily. To prevent drivers from injury, they turned to fitness professionals to try to prevent and control injuries efficiently and control costs related to injuries on the job. Measures implemented include a warm-up "Three-Minute-Drill," training in hydration, nutrition, strength, core training, conditioning, and body mechanics. One UPS region saw dramatic improvements including an 85 percent reduction in injuries and a 60 percent decrease in worker's compensation costs. The U.S. Postal Service, FedEx, and Coca-Cola have also created programs to support the industrial athlete by hiring athletic trainers, creating conditioning and stretching programs, developing exercise routines, and providing advice on nutrition to help them keep in the game.

Looking Ahead

Is it an employer's responsibility to make sure employees are fit enough to perform their jobs without injury? Would an exercise program be appropriate for less strenuous positions such as an office worker or retail salesperson?

LEARNING OUTCOMES

After reading this chapter, you will be able to:

1. Outline the provisions and requirements of the Occupational Safety and Health Act.
2. Explain the inspection priorities, process, and penalties of the Occupational Safety and Health Administration (OSHA).
3. Explain the actions OSHA and employers take to create a safe and healthy work environment.
4. Outline common workplace health concerns and ways to reduce or prevent them.
5. Explain causes and methods of reducing job stress.
6. List health and safety concerns for employees traveling internationally.

Introduction

Employers have a legal and moral responsibility to ensure that the workplace is safe for employees' physical and mental health and reduce the approximately 4,400 work-related deaths and approximately 3 million injuries and illnesses reported each year in the United States.[1] Can you guess the most common cause of occupational injury in the United States? Read on and you'll learn!

Legal Obligations for Workplace Safety and Health

The passage of the Occupational Safety and Health Act dramatically changed HRM's role in ensuring that physical working conditions meet adequate standards. The impact of the OSH Act on the workplace has been profound. Since the act became law in 1970, annual workplace fatalities have fallen from 14,000 to under 5,000. The act established comprehensive and specific health standards, authorized inspections to ensure the standards are met, empowered the Occupational Safety and Health Administration (OSHA) to police organizations' compliance, and required employers to keep records of illness and injuries and calculate accident ratios. The act applies to almost every U.S. business engaged in interstate commerce.

Under the law, states may create their own job safety and health program and currently 27 states have state plans with standards either identical or even more effective than the federal standards. OSHA provides industry safety standards for four major categories of employers: general industry, construction, agriculture, and maritime. In addition to the standards provided for these specific industries, a **General Duty Clause** covers any potentially dangerous or unhealthy workplace conditions that aren't covered by specific industry regulation. This allows OSHA flexibility in regulating any workplace activity, and making sure that the safety and health of employees is protected. For example, ergonomic injuries or MSDs affecting workers as a result of their jobs are covered under the General Duty Clause.

General Duty Clause
Covers any potentially dangerous or unhealthy workplace condition that isn't covered by specific OSHA industry regulation.

Regardless of industry, employers have the responsibility of providing employees with access to medical records and records of employee exposure to toxic substances in the workplace, providing employees with personal protective equipment necessary for safety including eye and ear protection and any necessary training and providing information about any hazardous materials in the workplace. Employers are responsible for knowing standards and ensuring compliance while OSHA develops training and education programs to help employers understand the regulations and stay in compliance.

Exhibit 13-1

OSHA Form 300

Most employers are required to keep a current Form 300, 300A, and 301 and make them available for inspection.

OSHA's Form 300 (Rev. 01/2004)

Log of Work-Related Injuries and Illnesses

Attention: This form contains information relating to employee health and must be used in a manner that protects the confidentiality of employees to the extent possible while the information is being used for occupational safety and health purposes.

Year 20__ __

U.S. Department of Labor

Occupational Safety and Health Administration

Form approved OMB no. 1218-0176

You must record information about every work-related death and about every work-related injury or illness that involves loss of consciousness, restricted work activity or job transfer, days away from work, or medical treatment beyond first aid. You must also record significant work-related injuries and illnesses that are diagnosed by a physician or licensed health care professional. You must also record work-related injuries and illnesses that meet any of the specific recording criteria listed in 29 CFR Part 1904.8 through 1904.12. Feel free to use two lines for a single case if you need to. You must complete an Injury and Illness Incident Report (OSHA Form 301) or equivalent form for each injury or illness recorded on this form. If youíre not sure whether a case is recordable, call your local OSHA office for help.

Establishment name ______________________

City ______________ State ____________

Identify the person			**Describe the case**			**Classify the case** CHECK ONLY ONE box for each case based on the most serious outcome for that case:				Enter the number of days the injured or ill worker was:		Check the ìInjuryî column or choose one type of illness:					
								Remained at Work				(M)					
(A) Case no.	(B) Employee's name	(C) Job title (*e.g., Welder*)	(D) Date of injury or onset of illness	(E) Where the event occurred (*e.g., Loading dock north end*)	(F) Describe injury or illness, parts of body affected, and object/substance that directly injured or made person ill (*e.g., Second degree burns on right forearm from acetylene torch*)	Death (G)	Days away from work (H)	Job transfer or restriction (I)	Other record-able cases (J)	Away from work (K)	On job transfer or restriction (L)	Injury (1)	Skin disorder (2)	Respiratory condition (3)	Poisoning (4)	Hearing loss (5)	All other illnesses (6)
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					Page totals➤	____	____	____	____	____	____	____	____	____	____	____	____
												Injury (1)	Skin disorder (2)	Respiratory condition (3)	Poisoning (4)	Hearing loss (5)	All other illnesses (6)

Be sure to transfer these totals to the Summary page (Form 300A) before you post it.

Page ___ of ___

Public reporting burden for this collection of information is estimated to average 14 minutes per response, including time to review the instructions, search and gather the data needed, and complete and review the collection of information. Persons are not required to respond to the collection of information unless it displays a currently valid OMB control number. If you have any comments about these estimates or any other aspects of this data collection, contact: US Department of Labor, OSHA Office of Statistical Analysis, Room N-3644, 200 Constitution Avenue, NW, Washington, DC 20210. Do not send the completed forms to this office.

OSHA Record-Keeping Requirements

Employers in industries where a high percentage of accidents and injuries occur must maintain safety and health records. Some organizations such as universities and retail establishments are exempt from record keeping because of the low incidence of injury. It's important to understand that organizations exempt from record-keeping requirements must still comply with the law itself; their only exception is the reduction of time spent on maintaining safety records. The forms required for record keeping include the following:

- OSHA form 300—Log of Work-Related Injuries and Illnesses (see Exhibit 13-1)
- OSHA form 300A—Summary of Work-Related Injuries and Illnesses
- OSHA form 301—Injury and Illness Incident Report

Employers with 11 or more employees must complete Form 300 and Form 301 within 7 days of a work-related injury or illness. Employers are required to keep these safety records on file for 5 years. If an organization has multiple sites, a 300 form must be maintained for each site. Any work-related illness that requires treatment beyond first aid must be reported on Form 300. Injuries need to be reported only when they require medical treatment other than first aid or involve loss of consciousness, restriction of work or motion, or transfer to another job.

To help employers decide whether an incident should be recorded, OSHA offers a schematic diagram for organizations to follow (see Exhibit 13-2). Using this decision tree, organizational members can decide if, in fact, an event should be recorded. If so, the employer is responsible for recording it under one of three areas on OSHA's Form 300: death; days away from work or remained at work; job transfer or restriction; and other recordable cases. It's also necessary to indicate the injury or illness (see Exhibit 13-1). Part of this information is then used to determine an organization's **incidence rate**. An incidence rate reflects the "number of injuries, illnesses, or (lost) work days related to a common exposure base rate of 100 full-time workers." OSHA uses this rate to determine which industries and organizations are more susceptible to injury. Let's look at the incidence rate formula and use it in an example.

incidence rate
Number of injuries, illnesses, or lost work days as it relates to a common base of full-time employees.

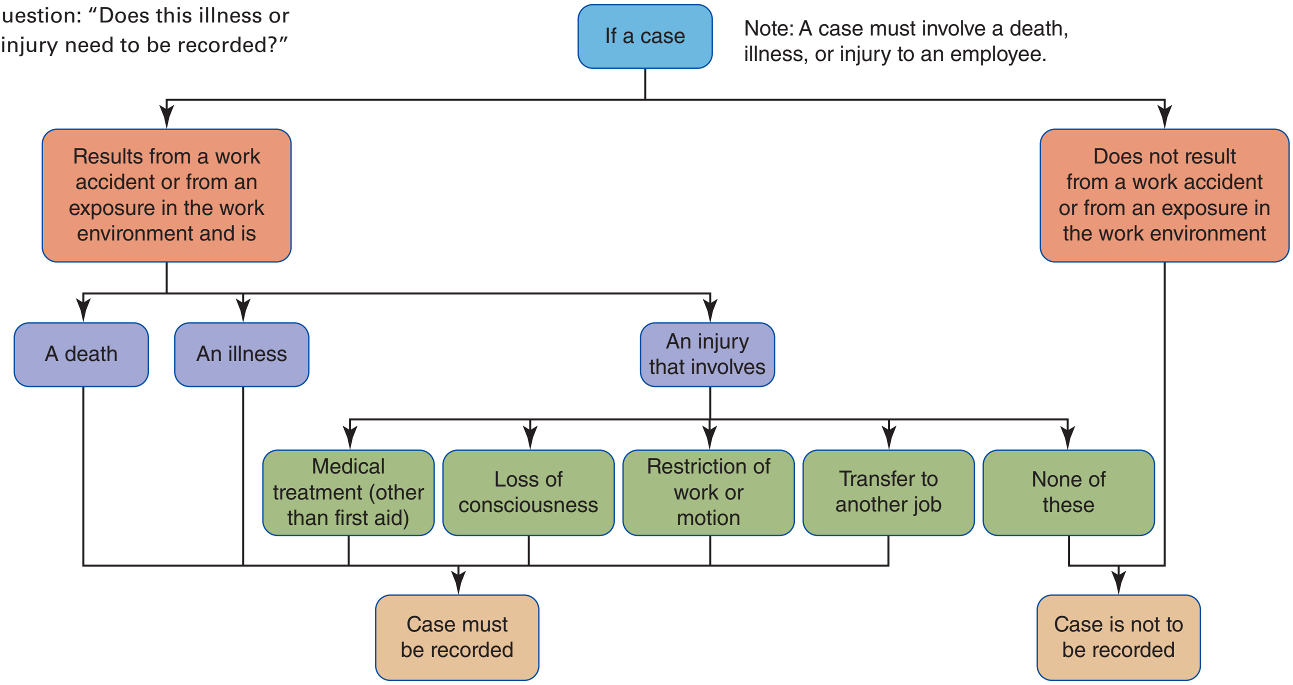
To determine the incidence rate, the formula $(N/EH) \times 200{,}000$ is used, where

N is the number of injuries and/or illnesses or lost work days.

- EH is the total hours worked by all employees during the year.
- 200,000 is the base hour rate equivalent (100 workers × 40 hours per week × 50 weeks per year).

Exhibit 13-2
Determining Recordability of a Case Under OSHA

This flow chart shows the decision process used to answer the question: "Does this illness or injury need to be recorded?"


If a case
Note: A case must involve a death, illness, or injury to an employee.
Results from a work accident or from an exposure in the work environment and is
Does not result from a work accident or from an exposure in the work environment
A death
An illness
An injury that involves
Medical treatment (other than first aid)
Loss of consciousness
Restriction of work or motion
Transfer to another job
None of these
Case must be recorded
Case is not to be recorded

ETHICAL ISSUES IN HRM

Legacy of a Tragedy

On a Saturday afternoon in March of 1911, 146 young women died when a fire swept through the Triangle Shirtwaist factory in New York City. The fire spread quickly, fed by scraps of fabric, tissue patterns, and paper boxes that littered the floor of their ninth floor workplace.

Fire exits had been locked by the owner who claimed that workers used them to steal fabric and garments. Fire escapes collapsed under the weight of the women trying to flee the building, many plunging to their death, nine stories below. Elevator cables snapped under the strain with many workers trapped inside. Fire hoses in the building were rotted and useless. Firefighters found their ladders were several stories too short and water from their hoses could not reach the flames. Onlookers were horrified to see women jumping to their deaths on the Manhattan sidewalks rather than be burned alive.

The factory owners were found not guilty of any criminal charges from their negligence and paid $75 per life lost during the fire. Public outcry over the tragedy and perceived lack of justice that followed was a catalyst for change. "It started making employers aware of their responsibility to their workforce," says Darryl Hill, current President of the American Society of Safety Engineers, an organization that was formed a few months after the tragedy. "Employers today understand that no employee should have to sacrifice their life or their health in the course of employment," says Hill. Some of the things we see in the workplace today in response to the tragedy include the following:

- Automatic sprinklers
- Unlocked exit doors that swing outward
- Push bars on exterior doors to allow quick exit
- Fire drills
- Increased power for Fire Marshals
- Worker Compensation

Many feel that we still have a long way to go to assure worker safety. In fact, the U.S. Department of Labor estimates that 98 percent of garment factories in Los Angeles alone have health and safety problems serious enough to lead to severe injuries or death.[4]

Ethical questions:

In the absence of laws that demand safer working conditions, can the actions of employers such as locking the exits, inadequate fire escapes and elevators, or failing to have working fire hoses be considered unethical? Are there additional actions beyond those required by law that employers should take to protect workers in today's workplace?

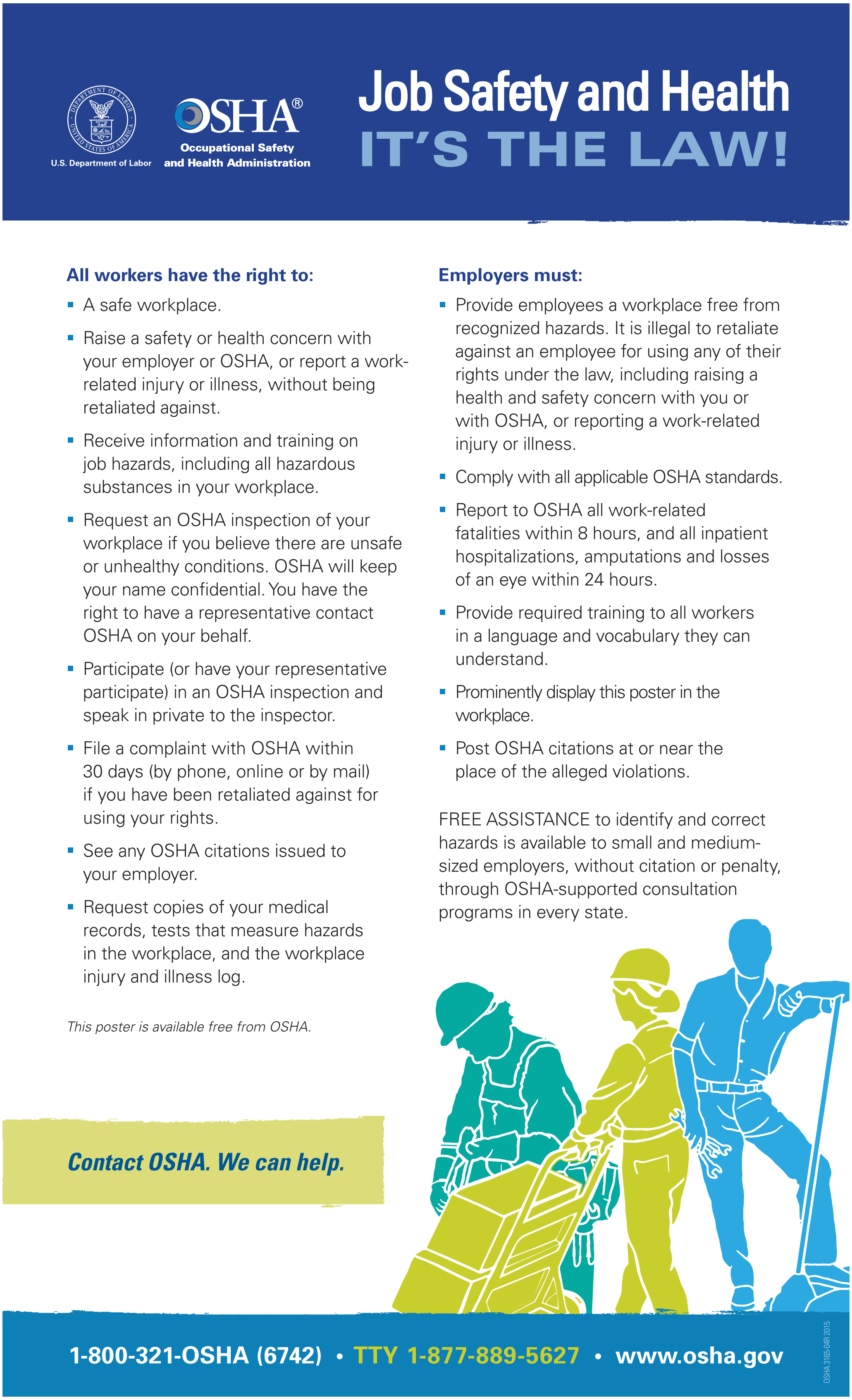
LADIES WAIST & DRESSMAKERS UNION LOCAL 25 WE MOURN OUR LOSS
WE MOURN OUR LOSS UNITED HEBREW TRADES OF NEW YORK.

UPI/Cornell University/Landov LLC

In using the formula and calculating an organization's accident rate, assume we have an organization with 1,800 employees that experienced 195 reported accidents over the past year. We would calculate the incidence rate as follows: (195/3,600,000) × 200,000.[2] The incidence rate is 10.8. The significance of 10.8 depends on several factors. If the organization is in the meatpacking plant industry, where the industry average incidence rate is 14.9, the company is doing well. If, however, they are in the amusement and recreation services industry, where the industry incidence rate is 2.2, 10.8 indicates a major concern.[3]

OSHA Inspection and Enforcement

Because limited time and resources make it impractical for OSHA to investigate every safety concern in every workplace, it's necessary to prioritize investigations. OSHA has established a six-item priority listing with the goal of making resources available for the most urgent situations and investigating others as resources permit.[5] In descending order, these include the following.



U.S. Department of Labor

OSHA®
Occupational Safety
and Health Administration

Job Safety and Health
IT'S THE LAW!

All workers have the right to:

- A safe workplace.
- Raise a safety or health concern with your employer or OSHA, or report a work-related injury or illness, without being retaliated against.
- Receive information and training on job hazards, including all hazardous substances in your workplace.
- Request an OSHA inspection of your workplace if you believe there are unsafe or unhealthy conditions. OSHA will keep your name confidential. You have the right to have a representative contact OSHA on your behalf.
- Participate (or have your representative participate) in an OSHA inspection and speak in private to the inspector.
- File a complaint with OSHA within 30 days (by phone, online or by mail) if you have been retaliated against for using your rights.
- See any OSHA citations issued to your employer.
- Request copies of your medical records, tests that measure hazards in the workplace, and the workplace injury and illness log.

This poster is available free from OSHA.

Employers must:

- Provide employees a workplace free from recognized hazards. It is illegal to retaliate against an employee for using any of their rights under the law, including raising a health and safety concern with you or with OSHA, or reporting a work-related injury or illness.
- Comply with all applicable OSHA standards.
- Report to OSHA all work-related fatalities within 8 hours, and all inpatient hospitalizations, amputations and losses of an eye within 24 hours.
- Provide required training to all workers in a language and vocabulary they can understand.
- Prominently display this poster in the workplace.
- Post OSHA citations at or near the place of the alleged violations.

FREE ASSISTANCE to identify and correct hazards is available to small and medium-sized employers, without citation or penalty, through OSHA-supported consultation programs in every state.

Contact OSHA. We can help.

1-800-321-OSHA (6742) • TTY 1-877-889-5627 • www.osha.gov

OSHA 3165-04R 2015

Exhibit 13-3
OSHA Protection

OSHA provides legally required posters like this one for free download at www.osha.gov.

1. **Imminent danger** refers to a condition in which an accident is about to occur. Although this is given top priority and acts as a preventive measure, imminent danger situations are hard to define. Generally, imminent danger is considered to be a situation where the risk of grave injury or death is so likely that it could happen before OSHA has a chance to investigate. According to OSHA, this includes examples such as "unstable trench or exposed electrical wire that could cause a serious or fatal accident immediately under present conditions. It also may be a health hazard such as toxic substances or dangerous fumes, dusts, or gases that could cause death or irreversible physical harm, shorten life, or reduce physical or mental performance."[6]

imminent danger
A condition where an accident is about to occur.

2. **Fatalities and catastrophes** include recent incidents resulting in a death or inpatient hospitalization of three or more employees. An organization must report these serious incidents to the OSHA field office within 8 hours of occurrence. This permits the investigators to review the scene and try to determine the cause of the accident. For example, heart attacks that occur during the work day should be reported so that OSHA can investigate if they are caused by the work or work environment.
3. **Employee complaints** If an employee sees a violation of OSHA standards, that employee has the right to call OSHA and request an investigation. The worker may even refuse to work on the job in question until OSHA has investigated the complaint. This is especially true when a union is involved. For instance, some union contracts permit workers to legally refuse to work if they believe they are in significant danger. Accordingly, they may stay off the job with pay until OSHA arrives and either finds the complaint invalid or cites the company and mandates compliance.[7]
4. **Referrals** from other federal, state or local agencies, individuals, or news media.
5. **Follow-ups** on organizations that have previously been cited to make sure corrective action has been taken.
6. **Planned or programmed investigations** OSHA has limited resources, and its budget has been significantly cut in the past. In order to have the largest effect, OSHA began to partner with state health and safety agencies and together direct their attention to those industries with the highest injury rates—industries such as chemical plants, oil refineries, and places with a high likelihood of workplace violence.

The final OSHA priority is *random inspection*, but these are rare because of a shortage of inspectors.

Inspection Process

Even the most cautious and conscientious employer occasionally has an employee concern or injury that results in a complaint to OSHA. It isn't the end of the world, and the employer won't be invaded by an army of uncooperative OSHA Officers. There is a clearly outlined procedure that starts even before OSHA inspectors appear. Before your inspection, the OSHA compliance officer becomes familiar with as many relevant facts as possible about the workplace, taking into account such things as the history of the establishment, the nature of the business, and the particular standards that are likely to apply.

Inspector's Credentials An inspection begins when the OSHA compliance officer arrives at the establishment. He or she displays official credentials and asks to meet an appropriate employer representative. Supreme Court ruled in ***Marshall v. Barlow's, Inc.***[8] that employers are not required to let OSHA inspectors enter the premises unless the inspectors have search warrants. Only a small percentage of companies require OSHA inspectors to obtain a warrant. Many law firms offer representation for firms dealing with OSHA inspections, and attorneys who deal with OSHA suggest that companies be cooperative rather than confrontational. OSHA inspectors are not supposed to be influenced by an employer's request for a search warrant, but it may raise red flags.

Marshall v. Barlow's, Inc.
Supreme Court case that stated an employer could refuse an OSHA inspection unless OSHA had a search warrant to enter the premises.

Opening Conference The official will initiate an opening conference and explain why the establishment was selected. The compliance officer then explains the purpose of the visit, the scope of the inspection, and the standards that apply. The employer will be given a copy of any employee complaint that may be involved. If the employee has requested anonymity, his or her name will not be revealed. The employer is asked to select an employer representative to accompany the compliance officer during the inspection. An authorized employee representative may also participate. At this point, the employer may share information regarding the company's safety program, emphasizing how the program is communicated to employees and how it is enforced.

Inspection Tour The OSHA compliance officer and employer representatives proceed through the establishment, inspecting work areas for compliance with OSHA standards. The compliance officer decides where to go and how long to stay. During the tour, the compliance officer may talk to employees, take photos, and take readings of things like decibel levels and air quality. The compliance officer will inspect records of deaths, injuries, and illnesses, which the employer is required to keep. He or she will check to see that a copy of the illness and injury totals from OSHA forms have been posted, and that the OSHA workplace poster is prominently displayed.

Companies should be cooperative rather than confrontational when an OSHA compliance officer shows up for an inspection.

The compliance officer will also evaluate the general health and safety of the workplace related to specific OSHA standards, or to recognized hazards cited under the General Duty Clause. Depending on the type of industry and the operations involved, these may include emergency action plan, fire prevention plan, emergency response plan, lockout/tagout program, respirator program, confined space entry program, hazard communication program, and so on. The compliance officer will point out to the employer any unsafe or unhealthful working conditions observed and discuss possible corrective action the employer may take. An inspection tour may cover part or all of an establishment, even if the inspection resulted from a specific complaint, fatality, or catastrophe.

Closing Conference After the inspection tour, a closing conference is held between the compliance officer and the employer or the employer representative. The compliance officer will cover all unsafe or unhealthful conditions observed on the inspection and indicate all apparent violations for which a citation may be issued or recommended. The employer is told of appeal rights. The compliance officer does not indicate any proposed penalties. Only the OSHA area director has that authority, and only after having received a full report.[9] If employer believes that the fine levied is unjust or too harsh, the law permits the employer to file an appeal. This appeal is reviewed by the Occupational Safety and Health Review Commission, an independent safety and health board. Although this commission's decisions are generally final, employers may still appeal commission decisions through the federal courts.

OSHA Penalties

Employers who have been found to violate OSHA regulations are issued fines based on the seriousness of the violation and the actions or history of the employer. **Serious violations** exist when the workplace hazard either caused or could have caused an accident or illness that would have resulted in death or serious physical harm.[10] An example would be if the employment situation required workers to wear protective eye wear or steel toed footwear, but the employer never enforced the requirement. Penalties up to $7,000 may be issued for each violation.

serious violations
Workplace hazard could have caused serious physical harm.

Willful violations mean the employer knew about a regulation and purposely ignored it or acted with indifference for worker safety. Willful violations carry fines between $5,000 and $70,000 per violation. If a willful violation resulted in the death of an employee, the fine can increase by $250,000 for an individual or $500,000 for an organization and executives in the company may be criminally liable. Willful violations often include failure to install or maintain safety guards on machinery, placing workers in danger of crushing or amputation of hands or fingers. Failure to provide adequate fall protection is another common example.

willful violations
Employer ignored or disregarded a workplace hazard that could or did endanger workers.

Repeated violations are just what they sound like. When an organization has previously been cited for a violation and a similar violation is found, fines up to $70,000 may be imposed for each violation. Discount store chain Dollar Tree was recently fined over $200,000 for three willful violations and one repeat violation that included failing to keep exit routes clear, storing materials in unstable ways and failure to store helium gas cylinders securely.[11] Fines are not levied for safety violations alone. A company that fails to keep its OSH Act records properly can be subjected to stiff penalties.

repeated violations
Employer has previously been cited for the same violation, prompting stronger penalties.

Creating Safer Workplaces

Although inspection, regulation enforcement, record keeping, and processes for violations are major areas of emphasis for OSHA, the organization provides many other services to workers and employers. OSHA makes it clear in their mission statement:

> OSHA's role is to promote the safety and health of America's working men and women by setting and enforcing standards; providing training, outreach, and education; establishing partnerships; and encouraging continual process improvement in workplace safety and health.[12]

The mission is achieved by providing a variety of services including researching industries with high injury and illness rates, targeting specific health and safety hazards for improvement, and providing education and training to employees and employers. Industries with a significant number of illness and injuries as compared with other industries receive special attention from OSHA with the goal of reducing injuries to employees. The National Emphasis Program (NEP) identifies major health and safety hazards that require attention. The list of hazards changes every year and has included combustible dust, hazardous machinery, nursing and residential care facilities, trenching and excavation, and inhaled substances. Let's take a look at some OSHA suggestions for making the workplace safe for all.

Management Commitment and Employee Involvement

A first step toward safety is a strong management commitment to providing a safe and healthy workplace. Convincing employers to commit the time, effort, and expense necessary to protect employees should be easy considering the cost-saving benefits, including the following:

- Healthier employees
- Lower worker's compensation costs
- Reduced medical expenses
- Better quality products
- Increased productivity
- Increased morale
- Better labor/management relations

Once management has chosen to lead the way with a strong commitment to safety, it must be demonstrated with clear policies and action. Employee involvement must be developed by including them in identifying safety and health problems. Employee insight and perspective is a valuable resource and their cooperation is necessary. Their safety and goodwill is important to business success. How can a company get them involved? Employers can do the following[13]:

- Develop and post a company worker safety policy near the required OSHA workplace poster (see Exhibit 13-3).
- Hold regular meetings on safety and health with employees.

While employers provide all the safety equipment required, sometimes accidents happen. In many cases, the cause is human error. As these window washers know, there's little margin of error before an accident happens.

© AP/Wide World Photos

- Require all management to follow the same safety standards as employees, including wearing hard hats, safety glasses, and footwear.
- Create and post written safety responsibilities for line managers, supervisors, and employees.
- Allow adequate time and resources to determine hazards and correct them.
- Regularly review and evaluate safety initiatives with employees.
- Provide safety incentives including awards, prizes, or cash for workers or work units with excellent safety records.
- Establish safety committees and identify safety representatives representing all levels of employees.

Worksite Analysis

Employers hold responsibility for understanding what is necessary to keep workers safe from harm. Employers who lack expertise in determining all possible hazards and relevant standards should consider asking their state or regional OSHA programs for a free and confidential visit. Private safety consultants also offer similar services for a fee. Self-inspections by managers and employees can provide valuable insight into potential and existing problems and how to prevent them. Employees should be encouraged to report concerns honestly and promptly without fear of reprisals. Records of previous injuries and illness may indicate patterns that help prevent future problems.

Hazard Prevention and Control

Worksite analysis may uncover hazards that must be eliminated or controlled. OSHA state offices may provide valuable advice on how to do this, but there are many things employers can do themselves too. For example, once safe work procedures are established, they must provide adequate training so all employees understand and demonstrate the safe procedures. This may require providing training in a variety of ways and languages and reinforcing it often. HRM also needs to make sure employees comply with safety procedures, even when they don't want to. Employees often consider safety equipment or protective clothing to be bulky, hot, or uncomfortable and may need some encouragement to use it. The company disciplinary policy should be used by providing warnings and appropriate consequences to employees who do not comply with safety policies. If personal protective equipment (PPE) is necessary, employers need to make sure employees know why it is necessary, when to use it, and how to maintain it. It is important to remember that if safety equipment such as goggles is required, the employer must pay for it.[16]

safety data sheet (SDS)
Documents that provide workers with proper procedures for handling chemical products safely.

Employers with hazardous chemicals in the workplace are required to label them clearly and provide **safety data sheets (SDS)**. These documents identify proper handling of hazardous substances, toxicity, first aid for accidental exposure, storage, reactivity, disposal, and other information necessary in case of spill or emergency. Complete SDS forms are usually made available by the manufacturer of the chemical product.

Companies must maintain equipment regularly to prevent breakdowns and hazardous situations. There needs to be a plan for fires, and any natural disasters that an area is likely to experience and drills should be conducted so employees know how to respond quickly. Employers should consider asking a local doctor or nurse to provide assistance in developing a plan for handling first aid or medical emergencies. Organizations should ask for employees to volunteer as first responders and provide the necessary training if medical assistance isn't quickly accessible.

Training for Employees, Supervisors, and Managers

Owners and managers need to be sure that employees understand possible workplace hazards and are trained in how to handle them. OSHA state consultants or private safety

CONTEMPORARY CONNECTION

OSHA's Top Ten Violations

Every year, OSHA complies and reports statistics on the most common workplace safety violations. The list of risks is pretty stable year after year, providing employers something to consider when creating a safe workplace.[14]

1. *Fall Protection* OSHA provides employers with standards indicating where fall protection is required for employees working over 4 feet off the ground in general industry and 6 feet in construction. The standards include what type of fall protection must be used in given situations. The majority of falls are from ladders and roofs and they are the leading cause of death on the job.
2. *Hazard Communication* Employers are required to inform employees of the hazards of all chemicals in the workplace. Hazardous chemicals must be labeled and employees must be trained how to handle them. Safety data sheet (SDS) that explains the chemicals must be available to all employees.
3. *Scaffolding* Employers must protect employees from falls and falling objects when they are using scaffolding more than 10 feet off the ground; 72 percent of workers injured in scaffold accidents attributed the accident to either the planking shifting or falling, the employee falling, or being struck by a falling object.
4. *Respiratory Protection* OSHA estimates that 5 million workers are required to wear respirators in over 1 million workplaces in the United States. Respirators protect against harmful dust, fog, smoke, gas, vapors, sprays, and environments where oxygen may be insufficient. This prevents cancer, lung disease, and even death.
5. *Control of Hazardous Energy, Lockout/Tagout* OSHA standards require that power for equipment and machinery be cut during maintenance and servicing. This prevents situations where an employee servicing the equipment may be injured because another worker turns the power back on by mistake. OSHA estimates that lockout/tagout (LOTO) procedures protect approximately 3 million workers who work with machinery or equipment.
6. *Powered Industrial Trucks (PIT)* Powered equipment such as forklifts, motorized hand trucks, and pallet jacks are covered by OSHA standards. Standards cover design, maintenance, operation, and training procedures. Every year, employees are injured because of unsafe operation of powered industrial trucks when they are accidentally driven off loading docks or strike an employee. Property damage is also common.
7. *Electrical Wiring Methods* Electricity is a common workplace hazard. Standards protect electricians and construction workers who come into direct contact with electricity as well as workers who come into indirect contact with electricity. This includes nearly everyone.
8. *Ladders* Falls from ladders and scaffolding combined are the biggest cause of occupational injury in the United States. In recent years, deaths from falls have varied from 160 to 809. Employers are required to protect workers who work over dangerous equipment or machinery, regardless of the distance.
9. *Machine Guarding* Moving machine parts must be covered or protected to prevent injuries like crushed fingers or hands, burns, eye injuries, or accidental amputations.
10. *Electrical Systems* Workers should be protected from poorly designed electrical systems and workplace electrical hazards. According to the **National Institute for Occupational Safety and Health (NIOSH)**, electrocution is the third leading cause of work-related injury death among 16- and 17-year-olds. Examples of hazards include coming into contact with power lines while working on roofs, using ladders, operating vehicles with telescoping equipment, and tree trimming.[15]

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consultants will be able to recommend and provide relevant training for every business. An employer should attempt to make training memorable by making it interesting and interactive. And they shouldn't forget to provide training to new employees, or employees who are moving to new jobs.

OSHA's extensive website provides an enormous amount of practical, easy to read, and understandable information for employees and employers. Regulations are clearly defined and compliance and inspection procedures are explained in simple terms. Education and training are a major emphasis of the OSHA website and include downloadable forms, templates for forms such as Materials Safety Data Sheets, handbooks for small business, e-mail newsletters, training program information, and interactive online training called "eTools" that covers dozens of occupational safety and health topics. The OSHA site is available in English and Spanish.

National Institute for Occupational Safety and Health (NIOSH) The government agency that researches and sets OSHA standards.

Health and Safety Issues

Safety is everyone's responsibility and should be part of the organization's culture. Top management must show its commitment to safety by providing resources to purchase safety devices and maintaining equipment. HRM should provide training and make sure that safety is a part of every employee's performance goals. As mentioned in Chapter 10 on performance evaluations, if something isn't included, there's a tendency to diminish its importance. Employers must always be aware of trends and developments that may produce concerns for the health and safety of employees. Let's examine several topics of current concern to employers.

Workplace Violence

The sad examples of horrific workplace violence that make the news seem to on the rise. A UPS worker entered the facility where he was recently fired, shot, and killed two people before taking his own life. A food processing plant employee left the HR office after being fired and beheaded one coworker and repeatedly stabbed another with a knife commonly used for work. A disgruntled employee of a technology company shot and killed seven coworkers including the vice president of HR. These recent episodes of violence in the workplace have made us painfully aware that we cannot take safety for granted. These are among the 400 and 500 workplace homicides every year that make the news. Nearly 2 million U.S. workers are victims of workplace violence every year in incidents that don't make the news.[17] OSHA's General Duty Clause charges employers with providing a place of employment free from hazards that are likely to cause death or serious harm. How can an employer identify those hazards that come from customers, coworkers, estranged family, or the general public?

According to OSHA, employees at increased risk of violence are workers who exchange money with the public, make deliveries, work alone or in small groups, work late night or early morning hours, or work settings where alcohol is served. This would include restaurant, health care and social service workers, probation officers, gas and utility employees, phone and cable installers, retail workers, letter carriers, and taxi drivers, to name a few.[18] Workers in late-night retail establishments and health care employees are also at a high risk of violence from customers and patients.[19]

Organizations must develop a plan to prevent workplace violence before it occurs. This should include a workplace violence prevention policy that outlines the types of behaviors that are prohibited. Examples might include bullying, horseplay, fighting, harassment, threats, and actual violence against coworkers, customers, vendors, or business associates. Procedures for reporting and investigating prohibited behaviors should be spelled out. Possible disciplinary actions such as warnings or termination should be explained. If a zero-tolerance policy dictates immediate dismissal for acts of violence, then that should also be made clear. As with all other policies, employees need to be informed of the elements of the policy.

Security can be increased to reduce the threats from nonemployees. Nonemployees should be able to access only the areas necessary such as a lobby or sales floor. Other areas of the workplace should be restricted to employees with authorized access. Photo ID cards and key card entry systems, video camera surveillance, and well-lit parking lots all improve employee security.

Applicants should be screened for criminal history. Previous employers should be contacted and background checks should be conducted to make sure new hires are of good character. HRM should also train their supervisors to identify troubled employees and refer them to Employee Assistance Programs (EAP). Warning signs may include increased drinking or drug use, reduced productivity, bullying or harassing behavior, withdrawal, depression, or angry outbursts. State laws regarding domestic violence and stalking should be checked to see if employers have any responsibilities including allowing leave requests for victims.

Bullying

Bruce called himself a "Stern Taskmaster." In reality, he was an Operations Manager with a nasty temper and reputation of sabotaging your career if you crossed him in any way. Employees who supported him received preferred treatment. Others lived in fear of being singled out to receive harsh public criticism that ended with Bruce shouting threats and insults for the smallest infractions or for no reason at all. His reign of terror lasted over 10 years until the facility was closed for poor productivity and high costs. Does the situation sound familiar to you? If so, you were a victim of **workplace bullying**. In many ways, bullying isn't much different from workplace violence. Employees suffer abuse resulting in poor morale, reduced productivity, and increased turnover. The problem is that it is often part of organizational culture and is perpetrated by individuals in positions of authority.

workplace bullying mistreating another with threats, humiliation or sabotage, or verbal abuse in the workplace.

The Workplace Bullying Institute defines bullying as repeated, health-harming mistreatment of one or more persons (the targets) by one or more perpetrators. It is abusive conduct that is threatening, humiliating, or intimidating, or work interference—sabotage—which prevents work from getting done, or verbal abuse.[20] It may be called incivility, personality conflicts, or disrespect, but the goal is to assert control or power over the victim. Bullies often encourage others to participate in the activities, which can include gossip, targeted unfair criticism, exclusion, or isolation, creating intolerable work conditions or impossible productivity expectations. Tolerating bullying results in increased turnover, absenteeism, lowered productivity and can result in workers' compensation claims and lawsuits.[21]

Employers can reduce bullying behaviors by creating a culture of respect and educating employees on the nature and effects of bullying in the workplace. Creating a policy that explains the definition of bullying with specific examples of behaviors that are not tolerated help bullies and victims to identify it. Procedures for reporting, investigating, and disciplinary actions should be clearly communicated on a regular basis.

Indoor Air Quality

Unhealthy work environments are a concern to everyone. If workers cannot function properly at their jobs because of constant headaches, watering eyes, breathing difficulties, or fear of exposure to materials that may cause long-term health problems, productivity will decrease. Work environments that may contain airborne contaminants from office machines, cleaning products, construction activities, carpets and furnishings, perfumes, water-damaged building materials, latex products, air fresheners, microbial growth (fungal, mold, and bacterial), insects, and outdoor pollutants are sometimes referred to as **sick buildings**. Other factors such as indoor temperatures, relative humidity, and ventilation levels can also affect how individuals respond to the indoor environment.[22] Some suggestions for keeping the workplace environment healthy include[23] the following:

sick building An unhealthy work environment.

Make sure workers have enough fresh air. The cost of providing it is minimal compared with the expense.

- Avoid suspect building materials and furnishings. As a general rule, if it stinks before installation, it will emit an odor afterward. Substitute tacks for smelly carpet glue or natural wood for chemically treated plywood.
- Test new buildings for toxins before occupancy. Failure to do so may lead to health problems. Most consultants say that letting a new building temporarily sit vacant allows the worst fumes to dissipate.
- Provide a smoke-free environment.
- Keep air ducts clean and dry. Water in air ducts is a fertile breeding ground for molds and fungi. Servicing the air ducts periodically can help eliminate growths before they cause harm.
- Pay attention to workers' complaints. Dates and particulars should be recorded by a designated employee. Because employees often are closest to the problems, they are a valuable source of information.

The Smoke-Free Environment

While smoking in public is not banned nationwide, most states have some type of ban on smoking in public in place. The dangers and health problems associated with smoking have been well documented, and they translate into a variety of increased costs for employers and employees. Smokers have significantly higher absentee, injury, accident, and disciplinary rates than nonsmoking employees. Smokers are also more likely to be admitted to a hospital and have longer hospital stays, which increases costs of employer provided health care coverage. A few states provide exceptions for restaurants, bars, and casinos creating concern that hospitality workers in those states are exposed to increased health risks from second-hand smoke.[24]

Hospitals, insurance companies, and medical businesses are among the growing number of employers who are not only banning smoking during work hours, but are implementing policies that prevent employees from smoking at all. Federal law does not protect smokers from employment discrimination, but several states have laws that prohibit employers from making employment-related decisions based on whether an employee or potential employee is a smoker. Implementation of these policies takes time and may involve incentives such as health tests and screening, smoking cessation classes, assistance from Employee Assistance Programs (EAP), competitions, prizes, fitness center memberships, and financial incentives such as reduction in insurance premiums for quitting or increases for failure to quit.[25]

The popularity of e-cigarettes raises questions about their use in the workplace. These battery-powered devices look similar to cigarettes and produce vaporized liquid that can be inhaled by users. Many states are updating laws that prevent smoking to include e-cigarettes, but employers do not need to wait for legislation to regulate e-cigarette use in the workplace. Employers can create policies that set reasonable restrictions on employee behavior in the workplace, including restricting use of mobile phones, e-cigarettes, or any other activity that disrupts the workplace or interferes with employees' ability to do their jobs.[26]

Musculoskeletal Disorders

musculoskeletal disorders (MSD) or repetitive stress injuries
Physical injuries caused by prolonged, repetitive physical tasks.

Workers that are required to perform prolonged, repetitive physical tasks can be at risk of developing work-related physical injuries called **musculoskeletal disorders (MSD)**, also known as **repetitive stress injuries**. These disorders include carpal tunnel syndrome, lumbar strain, hernias, and tendonitis. They occur in almost any industry, but the Bureau of Labor Statistics reports that industries with the highest rates of MSD include health care, transportation, and warehousing, retail and wholesale trade, and construction. MSD accounts for over 30 percent of all worker injury and illness cases.[27] The cost to employers of MSD provides significant costs to employers in terms of lost work days, reduced productivity, Worker's compensation claims, medical costs, absenteeism, and turnover.

Poor workplace ergonomics are often the cause of work-related MSDs. Ergonomics involve fitting the job to the person in ways that reduce awkward work postures, bending, reaching, pushing, and pulling. Employers can do much to improve ergonomics and prevent MSD in the workplace by providing training in how to reduce MSD and the benefits of improved workplace ergonomics. Workers should also be involved in assessing the workplace for hazards and encouraged to report MSD symptoms early. Once hazards have been identified, they should be reduced, controlled, or eliminated.[28]

Stress

stress
Occurs when an individual recognizes an opportunity, constraint, or demand related to a desire and perceives the outcome both uncertain and important.

Stress occurs when we recognize an opportunity, constraint, or demand related to something we want, but we perceive the outcome as both uncertain and important. Stress can manifest itself in both positive and negative ways. Stress is said to be positive when the situation offers an opportunity for one to gain something; for example, the psyching up an athlete goes through can be stressful but can lead to maximum performance. When constraints or demands are placed on us, however, stress can become negative.

The Journal of Occupational and Environmental Medicine reports that "Health-care expenditures are nearly 50% greater for workers who report high levels of stress,"[29] The National Business Group on Health (NBGH) reports that behavioral health issues related to stress such as mental health issues and addictive disorders are the fifth leading cause of short-term disability and the third-ranked cause of long-term disability.[30]

Paul Bradbury/Getty Images, Inc.

Having a really aggravating day? It appears this employee is, too. After significant staffing cutbacks in the organization, she now does the work once handled by three workers. She still has a job, but the job is often overwhelming, causing stress.

Common Causes of Stress

What causes stress in your life? Pressures to avoid errors in classes or at work? Too little time to complete tasks? A demanding supervisor or professor? Unpleasant coworkers? Any of these **stressors** can increase your stress level. Let's take a look at how stress makes its way into our lives through task demands, role, and interpersonal demands; organization structure; and organizational leadership.

Task demands relate to an employee's job. They include the design of the person's job (autonomy, task variety and degree of automation), working conditions, and the physical work layout. The more interdependence between an employee's tasks and the tasks of others, the more potential stress is present. Autonomy, on the other hand, tends to lessen stress.

Role demands relate to pressures placed on an employee as a function of the particular role he or she plays in the organization. **Role conflicts** create expectations that may be hard to reconcile or satisfy. **Role overload** is experienced when the employee is expected to do more than time permits. **Role ambiguity** is created when role expectations are unclear and the employee is unsure what to do.

Interpersonal demands are pressures created by other employees. Lack of social support from colleagues and poor interpersonal relationships can cause considerable stress, especially among employees with a high social need.

Organization structure can increase stress. Excessive rules and an employee's lack of opportunity to participate in decisions that affect him or her are examples of structural variables that might be potential sources of stress.

Organizational leadership represents the supervisory style of the organization's company officials. Some managers create a culture characterized by tension, fear, and anxiety. They establish unrealistic pressures to perform in the short run, impose excessively tight controls, and routinely fire employees who don't measure up. The effects of this style of leadership flow down through the organization to all employees.

Personal Factors

The way we handle the stress of work and personal issues depends on our own inherent personality characteristics. It's important for management to understand how employee personality affects susceptibility to stress. A popular way to categorize these characteristics is by observing individual behavior along a continuum with Type A personalities on one end and Type B on the other. **Type A behavior** is characterized by impatience, competitiveness, perfectionism, and difficulty accepting and enjoying leisure time. Managers must recognize that Type A employees are more likely to show symptoms of stress even if organizational and personal stressors are low. At the other end is **Type B behavior** that tends to be more patient, creative, and collaborative.

Worker **burnout** involves chronic emotional stress with emotional and/or physical exhaustion. People suffering from burnout may become cynical, irritable, impatient, show lowered job productivity, health problems, and are prone to substance abuse. It can be caused by a unclear job expectations, dysfunctional or negative work culture, poor personal fit with the job, poorly designed jobs, or lack of work–life balance.[31]

stressor
Something that causes stress in an individual.

role conflicts
Expectations that are difficult to reconcile or achieve.

role overload
When an employee is expected to do more than time permits.

role ambiguity
When an employee is not sure what work to do.

type A behavior
Personality type characterized by chronic urgency and excessive competitive drive.

type B behavior
Personality type characterized by lack of either time urgency or impatience.

Reducing Stress

burnout
Chronic and long-term stress.

Employers may find it possible to reduce or eliminate some stressors, but total elimination is unlikely. One option is to develop stress management programs that seek to reduce stressors in the workplace and teach employees how to handle the stress that is unavoidable. GlaxoSmithKline (GSK) has developed a variety of initiatives that have helped employees maintain personal health and sustain productivity. Employees participating in GSK's Energy for Performance, Personal Resilience, and Team Resilience programs report 80 percent improvement in physical and mental performance, mental energy, and an 80 percent reduction in workplace pressures.[32] Employees at consulting firm Ernst & Young report that employees report significant reduction in stress after participation in employee assistance and life management services. A total of 75.7 percent of employees reported feeling moderately or greatly stressed before participation, but after using the services, only 26 percent felt the same level of stress and 61.4 percent felt more productive at work.[33] Companies that recognize the benefits of helping employees cope with workplace pressure have taken variety of steps:

- **Monitor employee workloads and deadlines**. Encourage employees to be honest when their workloads become a burden or deadlines seem unattainable.
- **Have a zero-tolerance policy toward employee aggression**. This includes "desk rage" incidents such as slamming phones, rudeness, yelling, name calling, and fighting.[34]
- **Establish and encourage use of wellness programs**. Many wellness programs go beyond fitness and nutrition management, providing massage, yoga, meditation, nap rooms, pets, carpools, on-site chaplains, and food.
- **Encourage vacations and discourage working on weekends and vacations**. Pricewaterhouse Coopers encourages employees to leave work at home on weekends by including a pop-up message when they access e-mail that reminds them that it is the weekend.[35]
- **Sponsor seminars, workshops, and programs on stress management**. GSK was able to reduce stress-related costs significantly after their *Energy for Performance* and *Personal Resilience* programs went into effect.
- **Utilize employee participation, communication, and empowerment programs**. When Sunshine Ace Hardware Stores faced an eminent reduction in staff, they took the issue to the employees and used employee participation in brainstorming sessions to develop ways to avoid layoffs, resulting in cutbacks in hours for all employees and eliminating the need for layoffs.[36]
- **Participation in Employee Assistance Programs**. Encourage managers to refer employees that are stressed out or going through a rough patch to use the EAP services. A New York based EAP reports a 21 percent rise in counselor calls since the onset of the recession.[37]
- **Establishing a culture that values fun, light-hearted play, and laughter**. All work and no play creates stress.
- **Review job descriptions**. Employees that see a clear connection between their job and organizational objectives are more likely to find meaningfulness in their work. If they cannot, the job may need to be redesigned.
- **Support an informal social network within the workplace**. Employees that form friendship bonds will support each other.
- **Provide a safe workplace** by installing ergonomic workstations, reducing crowding, clutter, and air pollution. Reduce noise levels by encouraging employees to leave noisy workplaces periodically or using white noise generators or headsets.
- **Establish work–life balance programs** such as on-site childcare, health care, or concierge services that assist employees with personal errands such as car repair, travel arrangements, and mailing services. One consulting company allows family members to accompany employees on business travel if it exceeds 2 days.

ETHICAL ISSUES IN HRM

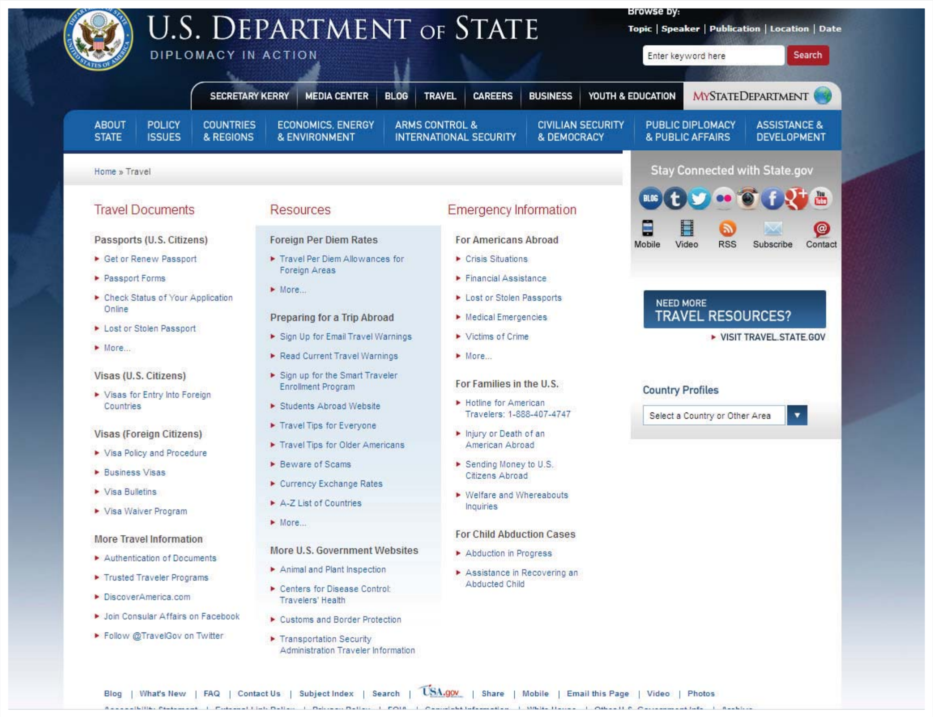
Smokers and the Obese Need Not Apply

Programs such as exercise, diet, blood pressure control, and smoking cessation can be found in nearly all organizations that offer such assistance to employees. Rather than assist employees in preventing such difficulties, many organizations are deciding to not hire smokers and individuals who are obese because of the increased risk of health issues. As long as obesity is not attributable to a disability (which would be a potential EEO violation), the organization has every right to do so. Only a few states protect the rights of smokers in regard to employment, and smokers may be charged higher insurance premiums in any state.

Statistics show that the smokers and the obese have greater health problems, which increase the cost of health insurance, workers' compensation, and other expenses. Whirlpool Corp. suspended 39 smokers for claiming on their benefits enrollment form that they were nonsmokers to avoid a $500 annual tobacco-use surcharge on their health insurance premium. Scott's Miracle Gro prohibits smoking by employees and fires those who fail random tests for nicotine.

Discrimination against the obese is much more subtle than the policies against smokers. Research at the University of Hawaii has found that in the absence of policies against hiring the obese, overweight people are discriminated against in the hiring process because employers are concerned about insurance costs and future health conditions as well as the perception that they may have physical limitations that would limit their ability to do their job.[38] Research seems to indicate that the perceptions may be true. Obesity is costing U.S. corporations more than $13 billion annually and results in more than 50 million lost productive days at work.

Ethical questions:
What's your feeling on this issue? Should employers be allowed to "discriminate" against smokers and the obese? Why or why not?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Home » Travel
Travel Documents
Passports (U.S. Citizens)
Get or Renew Passport
Passport Forms
Check Status of Your Application Online
Lost or Stolen Passport
More...
Visas (U.S. Citizens)
Visas for Entry Into Foreign Countries
Visas (Foreign Citizens)
Visa Policy and Procedure
Business Visas
Visa Bulletins
Visa Waiver Program
More Travel Information
Authentication of Documents
Trusted Traveler Programs
DiscoverAmerica.com
Join Consular Affairs on Facebook
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Resources
Foreign Per Diem Rates
Travel Per Diem Allowances for Foreign Areas
More...
Preparing for a Trip Abroad
Sign Up for Email Travel Warnings
Read Current Travel Warnings
Sign up for the Smart Traveler Enrollment Program
Students Abroad Website
Travel Tips for Everyone
Travel Tips for Older Americans
Beware of Scams
Currency Exchange Rates
A-Z List of Countries
More...
More U.S. Government Websites
Animal and Plant Inspection
Centers for Disease Control: Travelers' Health
Customs and Border Protection
Transportation Security Administration Traveler Information
Emergency Information
For Americans Abroad
Crisis Situations
Financial Assistance
Lost or Stolen Passports
Medical Emergencies
Victims of Crime
More...
For Families in the U.S.
Hotline for American Travelers: 1-888-407-4747
Injury or Death of an American Abroad
Sending Money to U.S. Citizens Abroad
Welfare and Whereabouts Inquiries
For Child Abduction Cases
Abduction in Progress
Assistance in Recovering an Abducted Child
Stay Connected with State.gov
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RSS
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NEED MORE TRAVEL RESOURCES?
VISIT TRAVEL.STATE.GOV
Country Profiles
Select a Country or Other Area
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Image from http://www.state.gov/travel/

Anyone who travels outside the United States should visit the U.S. State Department's Travel and Living Abroad website. This site provides such valuable information as "Emergencies and Warnings, Living Abroad," and other helpful links that can assist in preparing for foreign travel.

International Safety and Health

It is important to know the safety and health environments of each country in which an organization operates. Generally, corporations in Western Europe, Canada, Japan, and the United States put great emphasis on the health and welfare of their employees. However, most businesses in less-developed countries have limited resources and thus cannot establish awareness or protection programs. Most countries have laws and regulatory agencies that protect workers from hazardous work environments. It is important for American firms to learn the often complex regulations that exist, as well as the cultural expectations of the local labor force. In particular, manufacturers with potentially hazardous substances and situations must design and establish safe facilities international standards.

International Health Issues

Corporations preparing to send executives on overseas assignments should have a few basic health-related items on every checklist:

- *Up-to-date vaccinations* against infectious diseases such as cholera, typhoid, and smallpox. Each country has its own vaccination requirements for entry. In addition, the U.S. Department of State Traveler Advisories hotline provides alerts to specific problems with diseases or regions within a country. The Center for Disease Control (CDC) website also contains vaccination information for destinations worldwide.
- *A general first-aid kit* This should include all over-the-counter medications such as aspirin and cold and cough remedies that the employee or family members would usually take at home, but that might not be available at the overseas drugstore. In addition, any prescription drugs should be packed in twice the quantity expected to be used, and should never be packed entirely in checked luggage in case it gets lost. It is also advisable to know the generic name—not the U.S. trade name—of any pharmaceutical. Finally, special items such as disinfectant solutions to treat fresh fruit or vegetables and water-purifying tablets should be included as the sanitation system of the host-country warrants.
- *Emergency plans* Employees should contact their health insurance provider for procedures and coverage if they become injured or ill while traveling. Contact information for the U.S. embassy or consulate and any contact information an employee's health insurance provider may require should be gathered ahead of time. Additional travel insurance that will provide emergency transportation back to the United States if desired should be purchased. On arrival at the foreign destination, employees should check out the local medical and dental facilities and what care can be expected in the host country. This might include evacuation of a sick or injured employee or family member to another city or even another country. For example, expatriates in China often prefer to go to Hong Kong even for regular medical checkups. It is always wise to take along copies of all family members' medical and dental records.

International Safety Issues

Safety for the employee has become increasingly an issue of security, both while traveling and after arrival. Again, the U.S. State Department provides travel alerts and cautions on its web page. Safety precautions, however, begin before the overseas journey. Many corporations offer the following advice for traveling executives: blending in with local populations which may include wearing low-key, appropriate clothing, not carrying expensive luggage, avoiding luggage tags with titles such as "vice president," and, if possible, traveling in small groups. On arrival at the airport, it is advisable to check in at the airline's ticket counter immediately and go through security checkpoints to wait in the less public gate area.

If the expatriate arrives with family, the goal remains to blend in. These individuals must acquire some local "savvy" as quickly as possible; in addition to learning the language, they also must adapt to local customs and try to dress in the same style as the local people.

Security is a prime concern when traveling. Organizations that have executives in dangerous areas of the world often provide electronic security systems for home and office, as well as bodyguards or armed chauffeurs, but individual alertness is the key factor. Kidnapping is becoming common in some locations, and kidnappers often seek potential targets who are connected to a government or corporation who is likely to pay ransom. It is important to avoid set routines for local travel and other behaviors. The employee should take different routes between home and office, and the children should vary their paths to school. The family food shopping should be done at varying times each day or in different markets, if possible. These and other precautions, as well as a constant awareness of one's surroundings, are important for every family member.

Summary

(This summary relates to the Learning Outcomes identified on page 286.) After having read this chapter you can do the following:

1. **Outline the provisions and requirements of the Occupational Safety and Health Act.** The Occupational Safety and Health Act (OSH Act) established comprehensive and specific health standards, authorized inspections to ensure the standards are met, empowered the Occupational Safety and Health Administration (OSHA) to police organizations' compliance, and required employers to keep records of illness and injuries and calculate accident ratios.
2. **Explain the Occupational Safety and Health Administration (OSHA) inspection priorities, process, and penalties.** OSHA has an established five-step priority enforcement process consisting of imminent danger, serious accidents, employee complaints, inspection of targeted industries, and random inspections. OSHA can fine an organization up to a maximum penalty of $70,000 if the violation is severe, willful, and repetitive. For violations not meeting those criteria, the maximum fine is $7,000. OSHA may, at its discretion, seek criminal or civil charges against an organization's management if they willfully violate health and safety regulations.
3. **Explain the actions OSHA and employers take to create a safe and healthy work environment.** OSHA helps employers through education, training programs, developing management commitment and employee involvement, worksite analysis to identify problems, hazard prevention and control, and training for employees, supervisors, and managers.
4. **Outline common workplace health concerns and ways to reduce or prevent them.** Workplace violence can be reduced by ensuring that policies are not adversely affecting employees, by developing a plan to deal with the issue, and by training managers in identifying troubled employees. Improve indoor air quality by providing fresh air, use building materials and furnishings that don't emit fumes, keep ductwork clean, and listen to complaints. Smoking and use of e-cigarettes can be reduced by tobacco cessation programs and policies banning their use, MSDs can be reduced with better workplace ergonomics.
5. **Explain causes and methods of reducing job stress.** Task demands, role demands, role conflicts, interpersonal demands, organizational structure and culture, and leadership are a few causes or workplace stress. Stress can be reduced by monitoring workloads, encouraging wellness program use, encourage employees to take time off, educate employees about stress management techniques, encourage employee empowerment, utilize employee assistance programs and a fun, friendly culture.
6. **List health and safety concerns for employees traveling internationally.** Hazardous work environments, illness and injury, kidnapping, and personal security are all concerns.

Key Terms

burnout
General Duty Clause
imminent danger
incidence rate
Marshall v. Barlow's, Inc.
musculoskeletal disorders (MSD)
National Institute for Occupational Safety and Health (NIOSH)
repeated violations
repetitive stress injuries
role ambiguity
role conflicts
role overload
safety data sheet (SDS)
serious violations
sick building
stress
stressor
Type A behavior
Type B behavior
willful violations
workplace bullying

HRM Workshop

Reviewing Important Concepts

1. Explain the purpose of OSHA and the employer record-keeping requirements. (LO 1)
2. Discuss how OSHA prioritizes investigation and enforcement of standards. (LO 2)
3. Outline ways employers can create safer workplaces. (LO 3)
4. Compare bullying in the workplace and employee violence. (LO 4)
5. List sources of stress in the workplace. (LO 5)
6. What must an organization do differently with respect to health and safety when operating in another country? (LO 6)

Evaluating Alternatives

7. Review the chapter opener about "industrial athletes" on page 285. Prepare a list of reasons that employers should take responsibility (and the expense) for making sure that employees whose jobs require physical activity keep fit. Also prepare a list of reasons that responsibility ultimately falls on the employee. Which list seems to be the most convincing? What are your conclusions? (LO 1, 3, 4)
8. After a local workplace was the site of a brutal employee attack on a supervisor, the V.P of HR told local media, "This was completely unexpected. Nobody saw this coming. There were no obvious signs of trouble before the employee snapped and attacked the supervisor. This is a safe place to work and we don't expect any further incidents." What steps should be taken in this workplace to make sure he is correct in his assertion that there will be no further incidents? (LO 3, 4, 5)
9. A colleague makes the suggestion that the company should invest in a new safety training program that consists of online videos, tutorials, and quizzes. Another colleague disagrees, stating "We developed 'Safety is No Accident' training program specifically for our company's needs and it's been very effective for the last ten years." She went on to explain "No packaged software program knows our employees and issues like we do. It's a waste of money." Make a list of the strengths and weaknesses of each approach. (LO 2, 3, 4)

Research and Communication Skills

10. Search online for two examples of violations of OSHA regulations in each of these categories: serious, willful, and repeated. Explain the violation, the fine, or any other penalties involved. Look for any news articles that provide additional perspective to the situation. Present the examples to your class or explain them in writing explaining the difference in severity of the serious and willful violations. (LO 1, 2, 3)
11. Search for a short-video that addresses any of the top ten OSHA violations. Develop a five-minute presentation to your class that explains the OSHA standards addressed in the video. (LO 1, 2, 3)
12. Search for information or a short video about the causes and prevention of stress. Create a five to ten minute presentation for your class on the topic that includes three to five presentation slides. (LO 5)

Making a Difference SERVICE LEARNING PROJECTS

Safety and health are often taken for granted until they are gone. Look for ways to help people in need.

- Contact your local chapter of the Red Cross about ways you can help with their local activities or with disaster relief. You may be able to make and serve meals for local homeless or put "comfort kits" together for people who have experienced recent disasters.
- If you're a little handy, contact a local organization such as Rebuilding Together that assists the elderly or disabled with winterizing their homes or projects that make their homes safer by installing hand rails on stairs or window locks.

As you put your service learning experience together, keep a journal of your activities, the time you spend, contact information for people you work with, and your thoughts about the process. When you're finished, make a presentation to your class about the experience, and what you learned. What concepts from Chapter 13 were you able to apply?

Case Application 13-A HOW BAD IS IT?

Joaquin has been a machinist for Linco Tool and Die, a manufacturer of engine parts for large motors, for 16 years. Lately, more of Joaquin's parts have been rejected for errors; he seems preoccupied with outside matters—leaving early, asking to take off days beyond sick days allowed. He has missed three work days in 2 weeks, and Jonas, his supervisor, wondered if he smelled alcohol on his breath after lunch yesterday. Jonas hasn't said anything yet; he doesn't want to invade Joaquin's privacy. He thinks Joaquin, who in the past has been cooperative, positive, highly productive, and rarely sick or absent, may just be going through a tough time. Besides, the past month has been difficult because a major shipment required overtime, and all machinists have been asked to work up to 60 hours a week until the shipment is complete.

At lunch, Jonas overhears an argument between Joaquin and a coworker, Elizabeth, each blaming the other for a part being rejected by quality assurance. Joaquin tells Elizabeth to "stay out of his way and his area," and that "the next time they'll settle it outside," poking her in the chest with his finger. Joaquin then slams a $1,250 gauge down on the floor, shouts profanities, and adds, "I don't care if the part falls off or if this place burns to the ground anymore. I've about had all I can take of you and this place! You know my wife left me for my best friend last week, left me with a 2-year-old to raise by myself, and my other kid got expelled for possession. It just doesn't much matter to me what you think, so I'd leave me alone if I were you!"

Jonas headed for the human resource office to figure out what to do. He isn't sure if it's a discipline problem, bullying issue, or if Joaquin just violated the workplace violence policy.

Questions:

1. Is this a discipline problem, bullying, or workplace violence policy? Explain your reasoning.
2. What should be included in Linco's workplace violence policy?
3. Explain several different possible actions that Jonas and the HR department can take regarding Joaquin. Explain the action you believe is the best choice.
4. **Research**: Find examples of workplace violence policies and list the common elements of the policies you find.

Case Application 13-B WHAT DOES IT TAKE TO GET SOME RESPECT?

Mentioning OSHA to employers can result in a variety of reactions, many of which aren't very favorable. Organizations often feel that the regulations are costly to follow, require them to implement practices or procedures that are not needed, and are just plain restrictive. Many employers have more favorable views, feeling that OSHA safety standards and inspections can prevent workplace injury or death. Consider the following[39]:

- OSHA compliance officers from the El Paso, Texas, District Office made two employees who were working 80 feet above ground stop working until a fall protection system was installed. The workers and the company complied with the request.
- A construction worker at National Riggers and Erectors is glad such fall protection systems exist. Working in Green Bay, Wisconsin, on the renovation to the Green Bay Packers' football stadium, this worker slipped off a beam while working some six stories above the ground. Through the use of his fall protection gear, he was rescued unharmed and was able to return to work. Not 60 days later, this same system protected a second fall victim at the stadium. Both of these workers undoubtedly would have died from the fall without such protection.
- Two window washers were left dangling high above the ground after their scaffolding broke. Again their safety equipment prevented them from a certain death—dangling them high above the ground while they awaited rescue.
- Several workers were ordered off a deteriorating floor at a demolition site in Chicago. The inspector noticed that the flooring was not stable while workers worked to dismantle part of the floor overhead. Within hours of having the workers removed, the overhead floor caved in—right at the spot where the workers previously stood.
- An OSHA inspector ordered a worker out of a trench that had no shoring or protection from the side walls caving in. Barely 30 seconds after the worker left the trench, it collapsed. Had this worker not followed the inspector's order to get out, he surely would have been seriously injured or killed.

These events occur every day. Unfortunately, they only make the news when there is a disaster. For OSHA, the success stories are what employee safety is all about—preventing the death or serious injury of all employees.

Questions:

1. What roles do OSHA inspections play in preserving safe and healthy work environments? Discuss. (LO 1, 2, 3)
2. "OSHA shouldn't have to inspect every worksite. Employers should act as their own safety inspectors and take action that is warranted." Build an argument supporting this statement, and one opposing this statement. (LO 2, 3)
3. Had any of the five events listed above led to serious injury or death, do you believe the employer was liable? Why or why not? If you believe the employer is liable, do you believe any of these could be construed as willful and severe? Defend your position. (LO 2, 3)
4. **Research**: Go to the OSHA web page at www.osha.gov. Visit the *Safety and Health Topics* page and explain the current issues listed there. (LO 3, 4)

MICHIGAN WORKS BEST
WHEN WE SAY...
UNION
YES
OPERATING ENGINEERS
LOCAL 547 A-B-C-E-H- AFL-CIO

Carlos Osorio/AP Images

14

Understanding Labor Relations and Collective Bargaining

Support for unionized labor has been divided by political party lines for decades with pro-labor, pro-regulation Democrats more likely to agree with union initiatives, while pro-business, anti-regulation Republicans less likely to support unions and their goals.

Much of the recent criticism of unions has been leveled at public-sector unions who represent federal, state, city, and university and public school employees, including teachers. During the recession, public-sector unions were the focus of criticism by many who hold them partly responsible for state and city budget problems. Others have criticized the relatively generous benefits packages received by many public employees compared with private-sector employees. Many private-sector employees have seen reductions in benefits or been required to contribute more toward the cost of benefits. This has led to calls for reduction in public-sector salaries, benefits, or restricting collective-bargaining rights.

Public-sector employees are one of organized labor's last areas of strength. Union membership has declined in every other area of employment, reducing their clout and visibility. Recent labor disputes in the NFL and NBA have been perceived as frivolous disputes between millionaires, which has further reduced sympathy for unions and their goals. The message that unions fought for decades to guarantee the rights of all workers seems to be lost.

Of the 17 percent of American households that have at least one member who belongs to a union, the approval rate of organized labor is 78 percent, while only 48 percent of households with no union members approve.[1] Another poll by Pew Research Center found that although unions struggle for approval, a majority of Americans feel that they are responsible for higher salaries and fairer work rules for everyone.[2]

Although popularity is decreasing, 61 percent of Americans oppose legislation that eliminates collective-bargaining rights for public unions. It seems Americans may not totally agree with unions, but we don't want them to disappear either.

Looking Ahead

What do you think about unions and their goals? How do your personal politics or past experiences influence your position? Does the good they do outweigh the inconvenience of conflicts that may arise?

LEARNING OUTCOMES

After reading this chapter, you will be able to:

1. Explain the reasons that workers join unions.
2. Discuss the effects of the Wagner and the Taft–Hartley Acts on labor–management relations.
3. Outline additional important laws and executive orders affecting labor–management relations.
4. Outline the steps in the union-organizing process.
5. Describe the collective-bargaining process.
6. Explain important factors in contract administration.
7. List important current issues facing unions.
8. Explain how the role of unions differs in a global environment.

Introduction

The concept of labor relations and the collective-bargaining process evokes a variety of reactions from workers and employers. Before we examine the attitudes and activities involved in labor relations, it is important to understand the laws that govern the labor–management relationship, what unions are, and how employees unionize. We can examine these areas by understanding both the laws that underpin labor–management relationships and why people join unions (Exhibit 14-1).

Why Employees Join Unions

A **union** is an organization of workers, acting collectively, seeking to promote and protect its mutual interests through collective bargaining. Individuals join unions for reasons as diverse as the people themselves. The catalyst could be a contentious relationship between workers and management that requires the protection of a union, pressure from coworkers, a family history of union membership, a legal requirement, or possibly even encouragement from management because of a harmonious relationship. Let's examine some common benefits of unions that make them attractive to workers.

union
Organization of workers, acting collectively, seeking to protect and promote their mutual interests through collective bargaining.

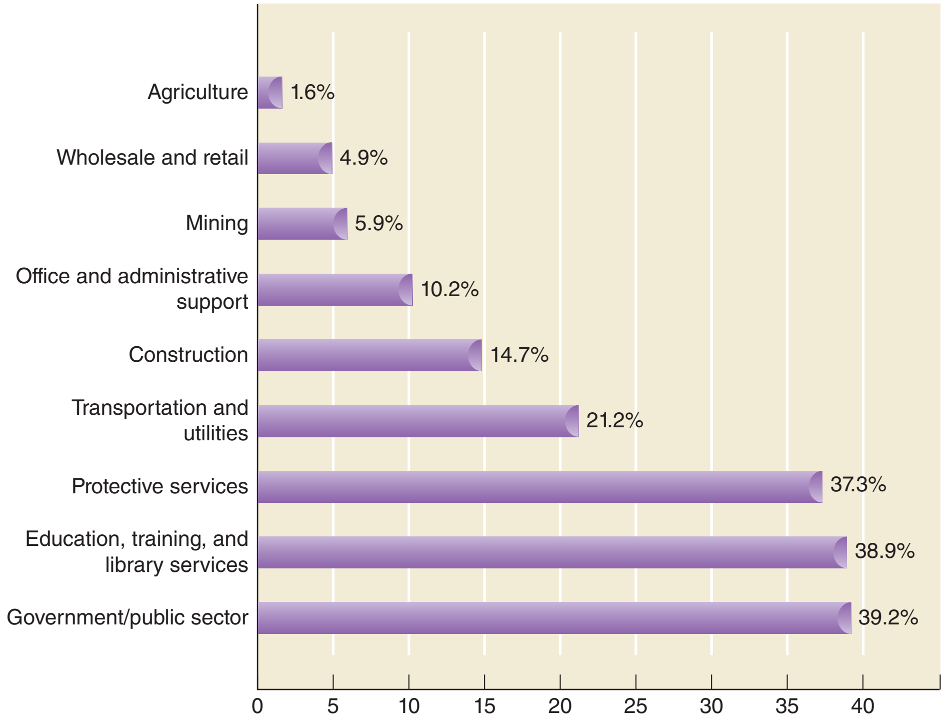


Exhibit 14-1
Union Membership by Industry Classification (Selected)[3]

The percentage of employees represented by a union varies by industry, as this chart indicates. Government and transportation workers tend to be the most likely to belong to a union.

Higher Wages and Benefits

The power and strength of numbers sometimes help unions obtain higher wages and benefit packages for their members than employees can negotiate individually. One or two employees walking off the job over a wage dispute is unlikely to significantly affect most businesses, but hundreds of workers going out on strike can temporarily disrupt or even close down a company. Additionally, professional bargainers employed by the union may negotiate more skillfully than any individual could on his or her own behalf. The AFL-CIO, a federation of over 50 labor unions, estimates that employees in unions earn 27 percent more than workers in comparable jobs who do not belong to unions. Union members are also 50 percent more likely to have health insurance benefits and 60 percent more likely to have an employer-provided pension plan.[4]

Greater Job Security

Unions provide their members with a sense of independence from management's power to arbitrarily hire, promote, or fire. The collective-bargaining contract will stipulate rules that apply to all members, thus providing fairer and more uniform treatment. Unions also negotiate for the procedures that will be followed in the event of a layoff, which typically benefits workers with seniority.

Influence Over Work Rules

Where a union exists, workers can help determine the conditions under which they work and have an effective channel through which they can protest conditions they believe are unfair. Grievance procedures give workers a formal process and assistance in protesting unfair treatment in the workplace. Grievance procedures and rights to third-party arbitration of disputes are examples of practices typically defined and regulated as a result of union efforts.

Compulsory Membership

union security arrangements
Labor contract provisions designed to attract and retain dues-paying union members.

union shop
Any nonunion workers must become dues-paying members within a prescribed period of time.

right to work laws
Prohibit union membership as a condition of employment.

agency shop
A union security arrangement whereby employees must pay union dues to the certified bargaining unit even if they choose not to join the union.

Many labor agreements contain statements commonly referred to as **union security arrangements**. When one considers the importance of security arrangements to unions—importance related to numbers and guaranteed income—it is no wonder that such emphasis is placed on achieving a union security arrangement that best suits their goals. These arrangements range from compulsory union membership to giving employees the freedom in choosing to join the union. The various types of union security arrangements are the union shop, the agency shop, and the right to work shop, as well as some special provisions under the realm of union security arrangements.

The most powerful relationship legally available to a union is a **union shop**. This arrangement stipulates that employers, while free to hire whomever they choose, may retain only union members. That means all employees hired into positions covered under the terms of a collective-bargaining agreement must, after a specified probationary period of typically 30–60 days, join the union or forfeit their jobs.

Right to work laws exist in 24 states prohibiting agreements that require employees to join a union as a condition of employment (see Exhibit 14-2). Employees in right to work states are guaranteed the right to decide for themselves whether they want to support the union financially. These states are often targets of unions who would like to see the laws changed to provide a more supportive environment for unions. The National Right to Work Committee provides support for those who oppose compulsory union membership.

An agreement that requires nonunion employees to pay the union a sum of money equal to union fees and dues as a condition of continuing employment is referred to as an **agency shop**. This arrangement was designed as a compromise between the union's desire to eliminate the "free rider" and management's desire to make union membership

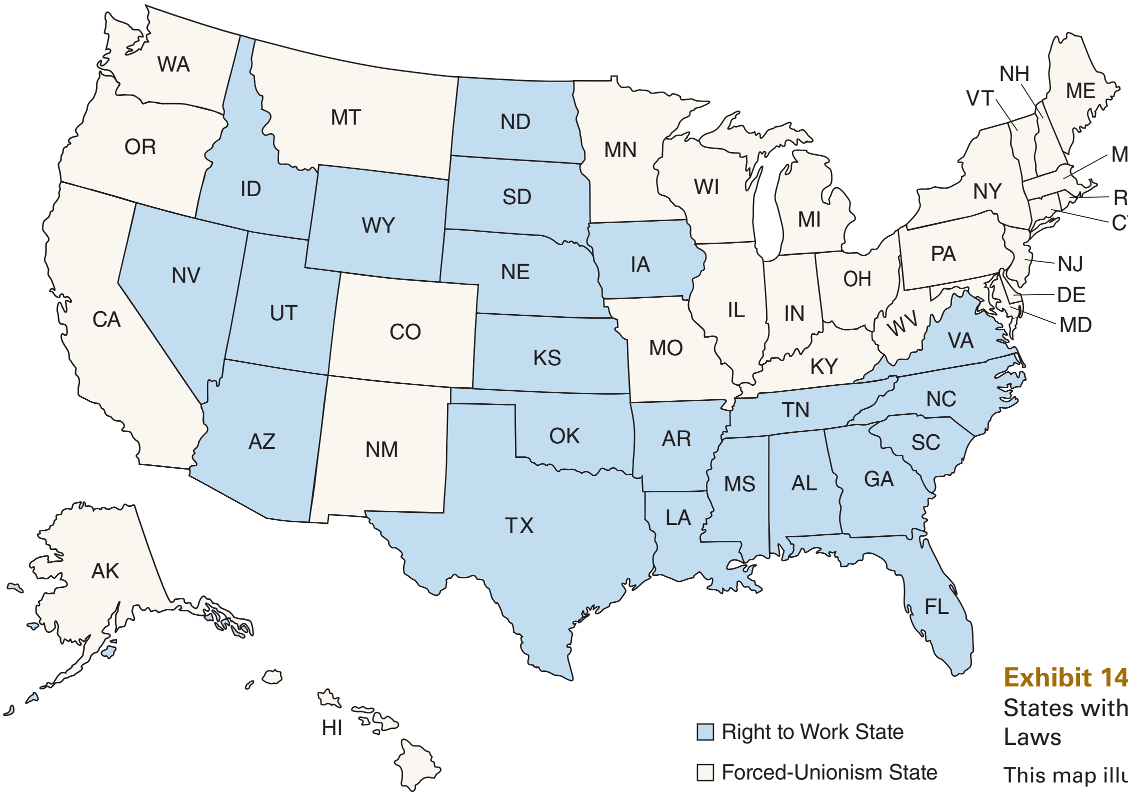


Exhibit 14-2

States with Right to Work Laws

This map illustrates the states with right to work laws that guarantee employees the right to choose whether to join a union or not. (Source: National Right to Work Committee, http://www.nrtw.org/rtws.htm.)

voluntary. In such a case, if workers decide not to join the union for any reason including religious beliefs or personal values, they still must pay dues. The rationale is that these workers receive benefits negotiated by the union, so they must pay their fair share. However, a 1988 Supreme Court ruling upheld nonunion members' claims that although in an agency shop they are forced to pay union dues, those monies must be specifically used for collective-bargaining purposes only—not for political lobbying.

The least desirable form of union security from a union perspective is the **open shop**, which makes joining a union is totally voluntary. Those who do not join are not required to pay union dues or any associated fees. Workers who do join, typically, have a **maintenance of membership** clause in the existing contract, which states that employees who join the union are compelled to remain in the union for the duration of the existing contract. When the contract expires, most such agreements provide an escape clause—a short interval of time, usually 10 days to 2 weeks—in which employees may choose to withdraw their membership from the union without penalty.

open shop
Employees are free to join the union or not, and those who decline need not pay union dues.

maintenance of membership
Requires an individual who chooses to join a union to remain in the union for the duration of the existing contract.

A **dues check-off** provision involves the employer collecting the union dues money from employee paychecks and then sending it to the union. This is a big benefit to the union for several reasons. Collecting dues takes time, so a dues check-off frees the union from collecting dues or setting up automatic withdrawals from members' checking accounts. Eliminating the dues check-off can weaken a union's finances, forcing union representatives to collect dues themselves.

dues check-off
Employer withholding of union dues from union members' paychecks.

Dissatisfaction with Management

Employees who are dissatisfied with the actions of managers are easy targets for union organizers. If employees are upset with company policies for benefits, promotions, the way their supervisor handles problems, or the discipline of a coworker, they are likely to be receptive to a union's offer of support. Often, when employees vote to unionize, it's a vote against management or their immediate supervisor rather than a vote in support of a particular union.

Laws That Created the Legal Framework for Unions

Two major laws provide the rights and responsibilities for employee unions and employers, the National Labor Relations Act (Wagner Act), and the Labor Management Relations Act (Taft–Hartley Act). Rather than present the detailed history and development of labor law, our discussion will focus on these two important laws that have shaped much of the labor-relations process. We'll then briefly summarize other laws that have helped shape labor–management activities.

The Wagner Act

Wagner Act
Also known as the National Labor Relations Act of 1935, this act gave employees the right to form and join unions and to engage in collective bargaining.

The National Labor Relations Act of 1935, commonly referred to as the **Wagner Act**, is the basic bill of rights for unions. This law guarantees workers the right to organize and join unions, bargain collectively, strike, and pursue activities that support their objectives. In terms of labor relations, the Wagner Act specifically requires employers to bargain in good faith over mandatory bargaining issues—wages, hours, and terms and conditions of employment.

National Labor Relations Board (NLRB)
Established to administer and interpret the Wagner Act, the NLRB has primary responsibility for conducting union representation elections.

unfair labor practice
Employer or employee actions prohibited by the Wagner Act, Taft–Hartley Act, or other labor laws.

The Wagner Act is cited as shifting the balance of power to favor unions for the first time in U.S. labor history. This was achieved in part through the establishment of the **National Labor Relations Board (NLRB)**. This administrative body, consisting of five members appointed by the president of the United States, was given the responsibility for determining appropriate bargaining units, conducting elections to determine union representation, and preventing or correcting employer actions that can lead to **unfair labor practice** charges. The NLRB, however, has only remedial, and not punitive, powers.

Unfair labor practices are defined in Section 8 of the act and include any employer tactics that

- Interfere with, restrain, or coerce employees in the exercise of rights to join unions and to bargain collectively
- Dominate or interfere with the formation or administration of any labor organization or discriminate against anyone because of union activity
- Discharge or otherwise discriminate against any employee because he or she filed or gave testimony under the act
- Refuse to bargain collectively with the representatives chosen by the employees

wildcat strike
An unauthorized and illegal strike that occurs during the terms of an existing contract.

The Wagner Act recognized unions as legitimate interest groups in American society, but the act met with strong opposition from many employers who often failed to live up to the requirements of the law. That's because employers recognized that the Wagner Act didn't protect them from unfair union labor practices such as holding **wildcat strikes**, which involve striking against the employer even though a valid contract is in effect. The belief that the balance of power had swung too far to labor's side led to passage of the Taft–Hartley Act (Labor Management Relations Act) in 1947.

The Taft–Hartley Act

Taft–Hartley Act
Amended the Wagner Act by addressing employers' concerns in terms of specifying unfair union labor practices.

The major purpose of the Labor Management Relations Act, more commonly called the **Taft–Hartley Act**, was to amend the Wagner Act by addressing employers' concerns in terms of specifying unfair union labor practices. Under Section 8(b), Taft–Hartley states that it is an unfair labor practice for unions to

- Restrain or coerce employees in joining the union or coerce the employer in selecting bargaining or grievance representatives
- Discriminate against an employee to whom union membership has been denied or to cause an employer to discriminate against an employee

- Refuse to bargain collectively
- Engage in strikes and boycotts for purposes deemed illegal by the act
- Charge excessive or discriminatory fees or dues under union shop contracts
- Obtain compensation for services not performed or not to be performed

The Taft–Hartley Act abolished the common practice of closed shop arrangements. In closed shops, a union totally controlled the source of labor, and all workers were required to join the union. Workers were trained by the union, and sent to work for an employer by the union, acting as a clearinghouse of employees. When an employer needed employees—for whatever duration—the employer would contact the union and request that these employees start work. When the job was completed, and the employer no longer needed the employees, they were sent back to the union. By declaring the closed shop illegal, Taft–Hartley began to shift the pendulum of power away from unions and enabled states to enact laws that would further reduce compulsory union membership.

Taft–Hartley also included provisions that prohibited secondary boycotts and gave the president of the United States the power to issue an 80-day cooling-off period when labor–management disputes affect national security. Presidents are reluctant to interfere in labor disputes and orders for cooling-off periods are very rare. A secondary boycott occurs when a union strikes against Employer A (a primary and legal strike) and then strikes and pickets against Employer B (an employer against which the union has no complaint) because of a relationship that exists between Employers A and B, such as Employer B handling goods made by Employer A. Taft–Hartley also set forth procedures for workers to decertify, or vote out, their union representatives.

Taft–Hartley required unions to bargain in good faith, like the Wagner Act required employers to do the same. Although the negotiation process is described later in this chapter, it is important to understand the term *bargaining in good faith*. This does not mean that the parties must reach agreement, but rather that they must come to the bargaining table ready, willing, and able to meet and deal, open to proposals made by the other party, and with the intent to reach a mutually acceptable agreement. Realizing that unions and employers might not reach agreement and that work stoppages might occur, Taft–Hartley also created the **Federal Mediation and Conciliation Service (FMCS)** as an independent agency separate from the Department of Labor. The mission of the FMCS is to send a trained representative to assist in negotiations.

Federal Mediation and Conciliation Service (FMCS)
A government agency that assists labor and management in settling disputes.

DIVERSITY TOPICS

Unions and EEO

Although much of the legal discussion so far in this section has focused specifically on labor legislation, it's important to recognize that many of the laws discussed in apply to labor organizations as well. For instance, the Equal Pay Act of 1963 requires that wages agreed to during collective bargaining must not be differentiated on the basis of sex. In labor-relations settings, pay may differ only on the basis of skill, responsibility, accountability, seniority, or working conditions.

The Civil Rights Act of 1964 is as relevant to labor organizations as it is to management. Title VII requires unions to discontinue any discriminatory practices and engage in affirmative action activities if necessary. For example, if a labor union is located in a geographic area with a large minority population, the union must make an effort to recruit these individuals into the union's apprenticeship programs.

The Age Discrimination in Employment Act of 1967 means unions cannot mandate retirement of any of their members. However, a union can stop contributing to a worker's pension after the individual reaches the age of 70, just as a company can. Complying with the provisions of the Vocational Rehabilitation Act and the Americans with Disabilities Act requires unions to take affirmative action measures to recruit, employ, and advance all qualified disabled individuals. Unions must make reasonable accommodations for people with disabilities and comply with the provisions of the Family and Medical Leave Act.

Both employer and union have the responsibility to notify the FMCS when other attempts to settle the dispute have failed or contract expiration is pending. An FMCS mediator is not empowered to force parties to reach an agreement, but he or she can use persuasion and other means of diplomacy to help them reach their own resolution of differences. Finally, a fact worth noting was the amendment in 1974 to extend coverage to the health care industry. This health care amendment now affords Taft–Hartley coverage to for-profit and nonprofit hospitals, as well as special provisions for the health care industry, both profit and nonprofit, as to bargaining notice requirements and the right to picket or strike.[5]

Other Laws Affecting Labor–Management Relations

The Wagner and Taft–Hartley Acts are the most important laws influencing labor–management relationships in the United States, but many other laws regulate the relationship between organized labor and employers (see Diversity Topics: Unions and EEO). Several important ones include the Railway Labor Act; the Landrum-Griffin Act; Executive Orders 10988 and 11491; the Racketeer Influenced and Corrupt Organizations Act of 1970; and the Civil Service Reform Act of 1978. Let's briefly review the notable aspects of these laws.

The Railway Labor Act of 1926

The Railway Labor Act provided the initial catalyst for widespread collective bargaining in the United States.[6] Although the act covers only the transportation industry, it was important because workers in these industries were guaranteed the right to organize, bargain collectively with employers, and establish dispute settlement procedures in the event that no agreement was reached at the bargaining table. This dispute settlement procedure allows congressional and presidential intercession in the event of an impasse.[7] The act makes it more difficult for transportation workers to organize and provides mandatory dispute resolution procedures to avoid strikes in all but the most major disputes when all attempts at mediation have been exhausted. The goal is to restrict strikes that may disrupt national rail and air travel. FedEx was originally founded as an airline, and as such is subject to regulation by the **Railway Labor Act**, which makes strikes by FedEx drivers much less likely than by drivers of their competitor UPS, which is regulated by the National Labor Relations Act. UPS and the Teamsters (International Brotherhood of Teamsters who represent over 250,000 UPS workers)[8] has often protested that FedEx should be subject to the National Labor Relations Act, eliminating the competitive advantage FedEx holds because FedEx drivers may not strike.

Railway Labor Act
Provided the initial impetus to widespread collective bargaining.

Landrum-Griffin Act

Also called the Labor Management Reporting and Disclosure Act, the **Landrum-Griffin Act** was passed to address the public outcry over union misuse of union funds and corruption. This act, like Taft–Hartley, was an amendment to the Wagner Act.[9] The purpose of the **Landrum-Griffin Act** is to monitor internal union activity by making officials and those affiliated with unions (e.g., union members and trustees) accountable for union funds, elections, and other business of the union. Much of this act is part of an ongoing effort to prevent corrupt practices and to keep organized crime from gaining control of the labor movement.[10]

Landrum-Griffin Act
Also known as the Labor and Management Reporting and Disclosure Act, this legislation protected union members from possible wrongdoing on the part of their unions. It required all unions to disclose their financial statements.

The act requires unions to file annual reports to the Department of Labor regarding administrative matters such as their constitutions and bylaws, administrative policies, elected officials, and finances. This information is available to the public. Landrum-Griffin allowed all members of a union to vote regardless of race, sex, and national origin. Landrum-Griffin also required that all who voted on union matters would do so in a secret ballot, especially when the vote concerned the election of union officers.

Executive Orders 10988 and 11491

Executive Orders 10988 and 11491 deal specifically with labor legislation for federal employees.[11] In 1962, President Kennedy issued Executive Order 10988, which permitted, for the first time, federal government employees the right to join unions. The order required agency heads to bargain in good faith, defined unfair labor practices, and specified the code of conduct for labor organizations in the public sector.

Executive Orders 10988 and 11491
Presidential orders legalizing and defining rights of federal employees to unionize.

Although this executive order effectively granted organizing rights to federal employees, areas for improvement were identified, particularly the need for a centralized agency to oversee federal labor-relations activities. To address these deficiencies, President Richard Nixon issued Executive Order 11491 in 1969. This executive order made federal labor relations more like those in the private sector and standardized procedures among federal agencies. The order gave the assistant secretary of labor the authority to determine appropriate bargaining units, oversee recognition procedures, rule on unfair labor practices, and enforce standards of conduct on labor relations. It also established the Federal Labor Relations Council (now Federal Labor Relations Authority) to supervise implementation of Executive Order 11491 provisions, handle appeals from decisions of the assistant secretary of labor, and rule on questionable issues.

Both of these executive orders were vital in promoting federal-sector unionization. However, if a subsequent administration ever decided not to permit federal-sector unionization, a president would have had only to revoke a prior executive order. To eliminate this possibility, and to remove federal-sector labor relations from direct control of a president, Congress passed the Civil Service Reform Act.

Racketeer Influenced and Corrupt Organizations Act (RICO) of 1970

The **Racketeer Influenced and Corrupt Organizations Act (RICO)** was created as a tool to fight organized crime and its influence on a number of organizations including unions. It is a violation of the act if "payments or loans are made to employee representatives, labor organizations, or officers and employees of labor organizations,"[12] where such action occurs in the form of "bribery, kickbacks, or extortion."[13] RICO has been used to oust a number of labor officials alleged to have ties to organized crime.[14]

Racketeer Influenced and Corrupt Organizations Act (RICO)
Law passed to eliminate any influence on unions by members of organized crime.

Civil Service Reform Act of 1978

The **Civil Service Reform Act** established the Federal Labor Relations Authority (FLRA) as an independent agency within the executive branch to carry out the major functions previously performed by the FLRC. The FLRA was given the authority to decide, subject to external review by courts and administrative bodies,[15] union election and unfair labor practice disputes, and appeals from arbitration awards, and to provide leadership in establishing policies and guidance. An additional feature of the act is a broad-scope grievance procedure that can be limited only by the negotiators. Under Executive Order 11491, binding arbitration had been optional. The Civil Service Reform Act of 1978 contains many provisions similar to those of the Wagner Act, with two important differences. First, in the private sector, the scope of bargaining includes wages, benefits, and mandatory subjects of bargaining. In the federal sector, wages and benefits are not negotiable—they are set by Congress. Additionally, the Reform Act prohibits negotiations over union security arrangements.

Civil Service Reform Act
Replaced Executive Order 11491 as the basic law governing labor relations for federal employees.

ETHICAL ISSUES IN HRM

A Different Type of Wildcat Strike

The National College Athletic Association (NCAA) calls collegiate football players "student athletes." If they play for the Northwestern University Wildcat football team, they're also called "employees," thanks to a 2014 decision by the National Labor Relations Board (NLRB).

The NCAA has been widely criticized by the amount of money made by its member colleges off of the efforts of student athletes yet the college athletes may not earn any income as players other than their scholarship due to their amateur status. In addition to the income issue, players have asked the NCAA to provide medical care for sports-related injuries after graduation, relax transfer restrictions, and establish a trust fund that can be used for athletes to complete education when eligibility has expired.

After completing a political theory course, Kain Colter, then the quarterback at Northwestern became interested in ways that a union could balance the power between the NCAA and collegiate scholarship athletes. Colter explained "The action we're taking isn't because of any mistreatment by Northwestern. We love Northwestern, the school is just playing by the rules of their governing body . . . Right now the NCAA is like a dictatorship. No one represents us in negotiations. The only way things are going to change is if players have a union".[16]

Could a union be coming to your college? The current ruling only applies to private colleges since public schools since the NCAA only has jurisdiction over private employers.

Ethical questions:

If you examine the definitions of an employee in this book or other sources, what criteria seem to apply to college athletes? How do the reasons that employees seek union representation differ from the concerns of the football players? What actions by coaches would be prohibited during the organizing process? In what ways does the income that the university and NCAA earn from the efforts of the athletes differ from income employers receive from the work of employees?

Unionizing Employees

The process for employees who request certification of a union to represent their interests is called an organizing campaign. Exhibit 14-3 contains a simple model of how the highly regulated process typically flows in the private sector. Let's work through the steps to certification.

Preparation

Employers are rarely surprised when employees are preparing for an organizing campaign. There are usually a number of conditions that prompt workers to be

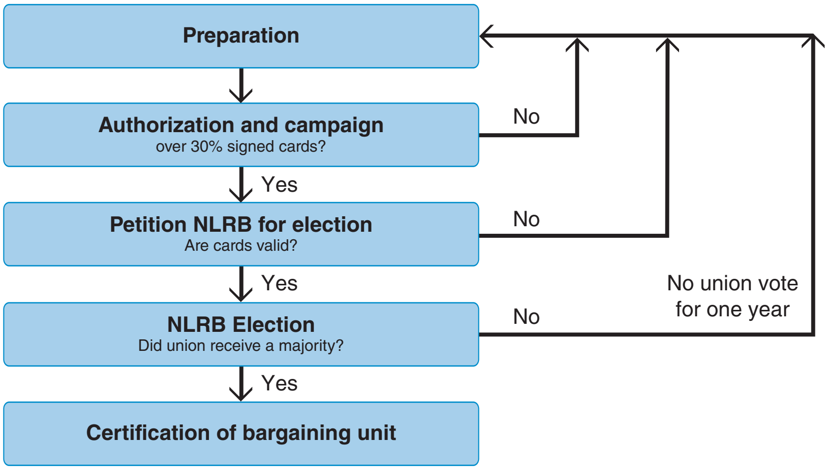

Preparation
Authorization and campaign
over 30% signed cards?
No
Yes
Petition NLRB for election
Are cards valid?
No
Yes
NLRB Election
Did union receive a majority?
No
No union vote
for one year
Yes
Certification of bargaining unit

Exhibit 14-3
Union-Organizing Process

Each of the steps in the process of organizing and certifying a union is clearly defined. Both the union and management must respect the rights of the other.

receptive to an offer of assistance from a union. Low wages and meager benefits certainly frustrate employees, but other factors also create frustration. Employees who feel that management is uncaring, unresponsive, unfair, and disrespectful are just as likely to seek union representation as workers that are primarily concerned about pay and benefits. Preventing unions starts with developing a culture that encourages cooperation, communication, participation, and good relationships with workers. How can employers tell if an organizing campaign may be coming? They may notice activity such as

- Increase in complaints or questions about policies.
- Employee gatherings with an unusual mix of people.
- Former employees or strangers hanging out at entrances or parking lots to talk with employees.
- Appearance of union literature in the workplace or parking lot.
- Appearance of union advertisements on local media.

Authorization Card Campaign

The process may begin with employee representatives requesting a union to visit the employees' organization and solicit members. The union itself might initiate the membership drive, using methods as old as picket lines or as new as the latest social media to promote their benefits to workers. The AFL-CIO even provides extensive online social media training to assist in influencing workers to support the membership drive.

Before approaching the employer for recognition, the union must secure signed **authorization cards** from at least 30 percent of the employees eligible to participate. Employees who sign the cards indicate that they wish the particular union to be their representative in negotiating with the employer. Although a minimum of 30 percent of the potential union members must sign the authorization card prior to an election, unions prefer at least 50 percent to make sure that there is significant interest before pursuing the next step. Employers should never take possession or even look at the authorization cards if the union offers them. Knowing which employees signed the cards may lead to a claim of an unfair labor practice, even if the union attempts to trick the employer to seeing them.

authorization card
A card signed by prospective union members indicating that they are interested in having a union election held at their work site.

Petition the NLRB

If enough authorization cards are submitted, then the union can approach the employer for recognition. At this point, the employer may choose to recognize the union voluntarily, but that rarely happens. When the union is refused recognition, it petitions the NLRB who reviews the authorization cards for validity.

When the NLRB is satisfied that the authorization cards and petition for recognition are valid, a representation hearing is scheduled with the employer and employee representatives. At that point, the make-up of the **bargaining unit** is determined by deciding which employees are eligible to vote on union representation. Supervisors are excluded from union membership, so employees must be classified before they are eligible to vote in the representation election. It isn't always simple to determine who is a supervisor. The NLRB has held that an employee may be a supervisor if they act in a supervisory role 10 to 15 percent of the time. For example, in the health care industry, charge nurses have often been in limbo. Unions claim that these individuals represent patients, like other nurses, and should be part of the bargaining unit. Management, on the other hand, says they exercise independent decision making in guiding the actions of other nurses—actions typical of a supervisor and should not be eligible for the bargaining unit. Management may want to designate as many employees as possible with supervisory responsibilities to limit the number of potential union members.[17]

bargaining unit
Employee group represented by union.

NLRB Election

representation certification (RC) The election process whereby employees vote in a union as their representative.

The NLRB then schedules **representation certification (RC)** election to be held by secret ballot. It also requires the employer to submit a list of the names, addresses, and phone numbers of all employees who will be eligible to vote. This list is provided to the union so they may contact all eligible employees about the election.

There are a number of restrictions on employer actions regarding the unionization process that would be considered unfair labor practices. The consequences for employers taking any of these actions, even if they are unintentional are severe and may even include being forced by the NLRB to bargain with the union with or without an election. This is why it is important to train all management and supervisors in what activities constitute unfair labor practices. One method to remember prohibited activities is by using the acronym TIPS, which means that employers may not threaten, interrogate, promise, or spy on employees. Examples include the following:

representation decertification (RD) The election process whereby union members vote out their union as their representative.

- **Threaten:** Cannot threaten to close or lay off employees if the union is certified, fire workers who support union or change their working conditions.
- **Interrogate:** Cannot ask who signed authorization cards or who supports the union.
- **Promise:** Cannot offer pay, benefits, or changes in terms of employment or working conditions if union is defeated.
- **Spy:** Cannot determine who is attending union meetings by attending meetings, watching parking lots or meeting sites, writing down license plate numbers, take photos of attendees, or question employees about attendance or content of meetings.[18]

Remember also from that employees' right to discuss working conditions or unions is protected or concerted speech. Taking disciplinary actions against employees for discussing these work-related topics would be considered retaliation and is an unfair labor practice.

What is the employer allowed to do? As long as the TIPS guidelines are followed and no unfair labor practices are used, employers may truthfully communicate reasons they oppose unionization. HRM should consult with an experienced labor attorney to review statements that may be made and assist in coaching managers and supervisors in what they can and cannot do or say.

The actual election is conducted by an NLRB representative with observers from the employer and union. The NLRB representative tallies the ballots. The union needs 50 percent plus 1 vote to be certified. If the union fails to get enough votes, the workplace remains without a union and another election cannot be scheduled for 12 months.

Should this charge nurse be considered part of the bargaining unit? That matter has been the subject of several NLRB and court cases. The unions believe so because the nurse administers patient care. Hospital management sees this individual as a supervisor and ineligible for inclusion to the certified bargaining unit.

Jochen Sand/Digital Vision/Getty Images, Inc.

Certification

If majority vote is received, the NLRB certifies the union and recognizes it as the exclusive bargaining unit. Whether the individual in the certified bargaining union voted for or against the union, each worker is covered by the negotiated contract. Once a union has been certified, is it there forever? Certainly not. Occasionally, union members become so dissatisfied with the union's representation that they turn to another union or have no union at all. In either case, the rank-and-file members petition the NLRB to conduct a **representation decertification (RD)**. Once again, if a majority of the members vote the union out, it is gone. However, once the election has been held, no other action can occur for another 12 months. This grace period protects the employer from employees decertifying one union today and certifying another tomorrow.

Finally, and even more rare than an RD, is a representation decertification (RM) initiated by management. The guidelines for the RM are the same as for the RD, except that the employer leads the drive. Most labor agreements bar the use of either form of decertification during the term of the contract.

TIPS FOR SUCCESS

What Managers Need to Know to Keep Out of Trouble

What can management do when they learn that employees are considering union representation? Labor laws permit them to defend themselves against the union campaign, but they must do so properly. Here are some guidelines for management as to what to do and what not to do during the organizing drive.[19]

- You can prohibit union-organizing activities in your workplace during work hours only if they interfere with work operations. This may apply to the organization's e-mail activity, too.
- You can prohibit outside union organizers from distributing union information in the workplace.
- Employees have the right to distribute union information to other employees during breaks and lunch periods.
- Don't question employees publicly or privately about union-organizing activities—for example, "Are you planning to go to that union rally this weekend?" But if an employee freely tells you about the activities, you may listen.
- Don't spy on employees' union activities, for example, by standing in the cafeteria to see who is distributing pro-union literature.
- Don't make any threats or promises related to the possibility of unionization. For example, "If this union effort succeeds, upper management is seriously thinking about closing down this plant, but if it's defeated, they may push through an immediate wage increase."
- Don't discriminate against any employee who is involved in the unionization effort.
- Be on the lookout for efforts by the union to coerce employees to join its ranks. This activity by unions is an unfair labor practice. If you see this occurring, report it to your boss or to human resources. In this case, your organization may also want to consider filing a complaint against the union with the NLRB.

Things to think about:

How would you feel if your employees were pursuing union representation? Would you be offended or resentful? Why?

Collective Bargaining

The National Labor Relations Act places a duty on both employers and unions to bargain in good faith about terms of the employment contract. This negotiation process is called **collective bargaining**. Refusal to participate in the process is an unfair labor practice.

collective bargaining
The process of negotiating terms of employment between an employer and a group of employees represented by a union.

Most of us hear or read about collective bargaining only when a contract is about to expire or when negotiations break down, such as the NFL referee lockout of 2013. Although large-scale strikes in the United States have been declining in number, recent strikes such as a Chicago teachers' strike, and West Coast longshoreman strike remind us that bargaining between employers and unions can break down and cause disruptions. Collective-bargaining agreements cover about half of all state and local government employees and one-ninth of employees in the private sector. The wages, hours, and working conditions of these unionized employees are negotiated usually for 2 or 3 years at a time.

Negotiating the Agreement

The objective of collective bargaining is to agree on a contract acceptable to management, union representatives, and the union membership. Although contracts can contain a variety of topics, mandatory issues defined by the Wagner Act are wages, hours, and terms and conditions of employment. The fourth issue covered in almost all labor contracts is the grievance procedure, which is designed to permit the adjudication of complaints.

Many organizations hire law firms or consultants to guide management through the collective-bargaining discussions and negotiations. Larger organizations usually have an HRM department with full-time industrial relations experts that assist senior manager for industrial relations, corporate executives, and company lawyers—with

Patrick McDermott/Getty Images, Inc.

When unions and employers can't come to an agreement, either side may call a halt to work. Unions may go on strike or employers may prevent them from working with a lockout like the one that shortened the 2011 NBA season by 6 weeks.

support provided by legal and economic specialists in wage and salary administration, labor law, benefits, and so forth.

On the union side, the bargaining team is frequently composed of an officer of the local union, local shop stewards, and some representation from the international/national union. In the case of a large union with thousands of employees, the team will be dominated by international/national union officers (those most often with a broader perspective of the implication of a contract) with a strong supporting cast of economic and legal experts employed by the union. In a small firm or for local negotiations covering special issues at the plant level for a nationwide organization, bargaining representatives for the union might be the local officers and a few specially elected committee members (Exhibit 14-4).

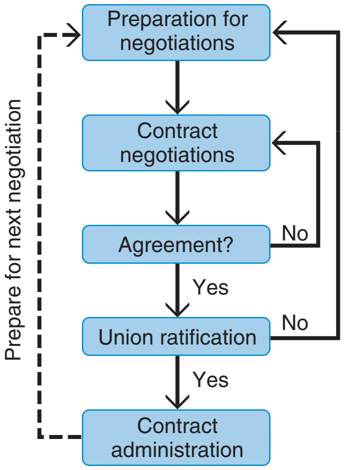


Exhibit 14-4

The Collective-Bargaining Process

This flowchart illustrates the steps in the collective-bargaining process.

Preparing to Negotiate Once a union has been certified as the bargaining unit, both union and management begin the ongoing activity of preparing for negotiations. Ideally preparation should begin as soon as the previous contract is agreed upon or union certification is achieved. Realistically, it probably begins anywhere from 6 months to 1 year before the current contract expires. Preparation for negotiation usually includes fact gathering, goal setting, and strategy development.

Both sides use research from both internal and external sources. Internal data include grievance and accident records; employee performance reports; overtime figures; and reports on transfers, turnover, and absenteeism. Unions survey members to determine the elements of the contract they would most like changed, and the changes they want. For example, workers may want a more generous health care plan than a significant pay increase.

External information collected by unions and employers include statistics on the current economy, both at local and national levels; economic forecasts for the short and intermediate terms; copies of recently negotiated contracts by the union to determine what issues the union considers important; data on the communities in which the company operates—cost of living, changes in cost of living, terms of recently negotiated labor contracts, and statistics on the labor market; and industry labor statistics to see how similar labor agreements have been resolved.

With homework done and information in hand, both the union and employers set goals and strategies for the process. This includes assessing the other side's power and specific tactics that will be used in negotiations.

Negotiating at the Bargaining Table Negotiation customarily begins with the union presenting management with a list of demands. The list may be long and exceed any reasonable expectations, creating room for trading in later stages of the negotiation. This also disguises the union's real position, leaving management to determine which demands are high priority, which are medium priority, and which the union is prepared to quickly abandon. A long list of demands also fulfills the internal politics of the union. By seeming to back numerous wishes of the union's members, union administrators appear to be satisfying the needs of the many factions within the membership.

Both union and management representatives may publicly discuss their differences, but the real negotiations typically go on behind closed doors. Each party tries to assess the relative priorities of the other's demands, and create proposals that make trade-offs that are mutually agreeable. Compromises are made in the attempt to gain a "best offer" from management that approximates the lowest demands that the union is willing to accept. An oral agreement is eventually converted into a written contract, and negotiation concludes with the union representatives submitting the contract for ratification or approval from rank-and-file members. If the rank-and-file members vote down the contract, negotiations must resume.

Failure to Reach Agreement

Although contract negotiations aim to achieve an agreement acceptable to all concerned parties, sometimes that goal is not achieved. When negotiations reach a point that both parties are unwilling to negotiate any further, they are said to have reached an impasse. These events may be triggered by internal issues in the union, the desire to strike against the company, the company's desire to lock out the union, or its knowledge that striking workers can be replaced. Let's explore some of these areas.

Strikes versus Lockouts There are several types of strikes. The most relevant to contract negotiations is the **economic strike**. An economic strike occurs when the two parties fail to reach a satisfactory agreement before the contract expires. When that deadline passes, the union leadership will typically instruct its members not to work, and to leave their jobs. In an economic strike, the union withholds labor from the employer, causing the employer financial hardships. For instance, U.S. organizations lost nearly 300,000 workdays to strike activity in 2013 from 15 major strikes. Over half of the lost workdays were the result of one strike between the New York City Public Schools and the transit union responsible for driving school busses.[20] Organizations may hire replacement workers, and no disciplinary action can be taken against workers who participate in economic strike activities (see Ethical Issues in HRM).

economic strike
An impasse that results from labor and management's inability to agree on the wages, hours, and terms and conditions of a new contract.

A wildcat strike takes place while a contract is in force and generally occurs when workers walk off the job because of something management has done. For example, if a union employee is disciplined for failure to call in sick according to provisions of the contract, fellow union members may walk off the job to demonstrate their dissatisfaction with management action. Wildcat strikes are unfair labor practices and consequently, wildcat strikers can be severely disciplined or terminated.

Unions are finding that strikes are becoming a less effective bargaining tool for several reasons. Economic conditions may leave employers facing layoffs, making strikes unwise, and public perception of strikes has become less sympathetic in recent years. Organizations are also more inclined to replace striking workers. In several industries, work slowdowns have become a more common tactic than striking.

Managers may also use a **lockout** to try to end a disagreement with workers. A lockout, as the name implies, occurs when the organization denies unionized workers access to their jobs during an impasse. This may indicate that the employer intends to hire replacement workers as the NFL did in 2012. In this instance, the lockout started prior to the season when negotiations between the Referees Association and NFL reached an impasse. The NFL hired replacement officials, but their poor performance earned widespread criticism. By the third week of the season, the NFL agreed to resume negotiations with the referees and quickly reached an agreement with the assistance of the FMCS.

lockout
A situation in labor–management negotiations whereby management prevents union members from returning to work.

Lockouts may also be intended to force workers to accept reduced wages or benefits as an alternative to losing their jobs. Another reason is to protect work facilities, machinery, and other employees at the work site from disgruntled workers. In either case, the strategy is the same. Each side attempts to apply economic pressure on its opponent to sway negotiations in its own direction. Lockouts were once rare, but have been on the rise in recent years as unions have lost strength and employers become more firm in their negotiations. Recent lockouts have include the National Football League (NFL) referees, National Basketball Association (NBA) players, nurses in California, and over 1,300 workers at American Crystal Sugar.[21]

Impasse-Resolution Techniques

When labor and management in the private sector cannot reach a satisfactory agreement, they may need the assistance of an objective third party. This assistance comes in the form of conciliation and mediation, fact-finding, or interest arbitration.

Conciliation and mediation are two closely related impasse-resolution techniques. Both are techniques whereby a neutral third party attempts to help labor and management resolve their differences. Under conciliation, however, the third-party role is to keep negotiations going. In other words, this individual is a go-between—advocating a voluntary

conciliation and mediation
Impasse-resolution techniques using an impartial third party to help management and the union to resolve the conflict.

ETHICAL ISSUES IN HRM

Pressure Tactics

Although unfair labor practices are prohibited and bargaining in good faith is required, both unions and employers manipulate circumstances to gain an advantage in the collective-bargaining process. For example, when labor shortages exist, or when inventories are in short supply, a threatened union strike could have serious financial consequences for the company. Likewise, when economic conditions create a surplus of labor and the employer has surplus inventories of finished goods, management might welcome a few weeks with no labor costs and could easily lock out the union to achieve its negotiation goals.

Timing of a contract's expiration also influences how motivated parties are to reach an agreement. For example, a Midwest farm equipment manufacturer found that contract negotiations always broke down in November and resulted in a short strike that coincided with deer-hunting season.

In any strike situation, management has the right to keep its doors open and to keep producing what it sells, whether that means using supervisory personnel in place of striking workers, or bringing in replacements. Organizations including Firestone, Caterpillar, and John Deere have used replacement workers to their advantage. The union members either came back to work on management's terms or they lost their jobs—period. It doesn't always end well. The NFL tried the same strategy and it backfired badly.

Ethical questions:

Does a law that permits replacement workers undermine the intent of national labor law? Does it create an unfair advantage for organizations that play hardball just to break the union? Should a striker-replacement bill (which would prevent permanent replacement workers from being hired) be passed? Should striking workers' jobs be protected while they exercise their rights under the Wagner Act? What's your opinion?

means through which both sides can continue negotiating. Mediation goes one step further. The mediator attempts to pull together the common ground that exists and make settlement recommendations for overcoming barriers between the two sides. A mediator's suggestions, however, are only advisory and not binding on either party.

fact-finding
The technique whereby a neutral third party conducts a hearing to gather evidence and testimony from the parties regarding the differences between them.

interest arbitration
An impasse-resolution technique used to settle contract negotiation disputes.

Fact-finding is a technique whereby a neutral third party conducts a hearing to gather evidence from both labor and management. The fact-finder then renders a decision as to how he or she views an appropriate settlement. Similar to mediation, the fact-finder's recommendations are suggestions only—they, too, are not binding on either party.

Interest arbitration involves a panel of three individuals—one neutral and one each from the union and management—that hears testimony from both sides. After the hearing, the panel renders a decision on how to settle the current contract negotiation dispute. If all three members of the panel are unanimous in their decision, then that decision is binding on both parties.

Public-sector impasse-resolution techniques show notable differences. For instance, many states that do permit public-sector employee strikes require some form of arbitration. Decisions rendered through arbitration are binding on both parties. Arbitration takes two forms: package selection and issue-by-issue selection. Package selection (or final-offer arbitration) means that the arbitrator selects either the union or management proposal in its entirety. Issue-by-issue selection allows the arbitrator to select from union or management proposals for each issue being negotiated. For example, the arbitrator may select management's proposal for benefits, but select the union's proposal for another issue, such as wages.

Contract Administration

Once a contract is agreed on and ratified, it must be administered. Contract administration involves providing the agreement information to all union members and managers; implementing the contract; interpreting the contract and grievance resolution; and monitoring activities during the contract period.[22]

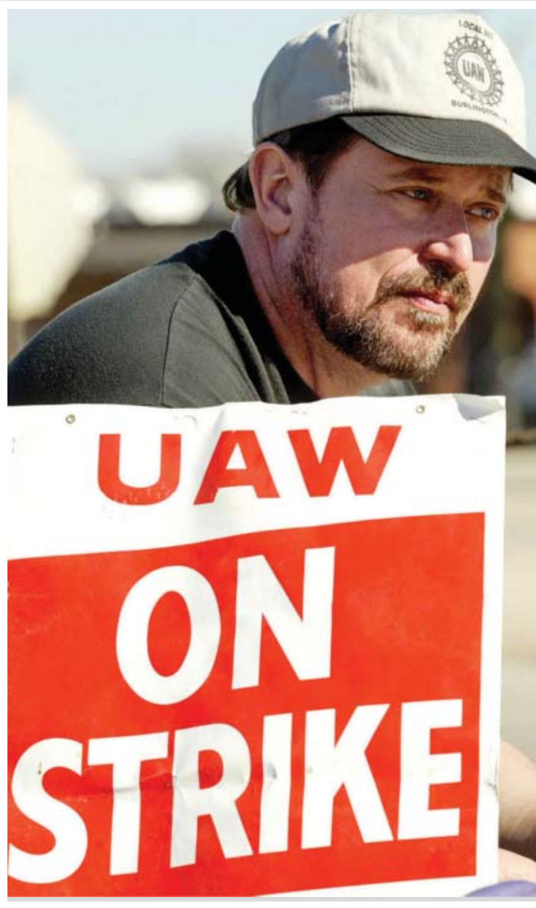
Communicate Contract Provisions

All parties need to understand the terms of the agreement and any changes in contract language. For example, HRM must make sure its payroll system is adjusted to the new rates as set in the contract. If both sides agree to something not in existence before, such as a change in the leave policy, all must be informed of how it will work. It will be necessary to hold meetings to explain the new terms of the agreement. Neither the union nor the company can simply hand a copy of the contract to each organization member and expect it to be understood. News may travel fast in a small organization, but larger organizations with many layers of management may need an extensive communication plan.

Implementing the Contract

Successful implementation depends on consistent interpretation and implementation of the terms of the contract. Inconsistent application of rules and procedures creates uncertainty and suspicion. Managers who bend rules in an attempt to be seen as kind and sympathetic may be surprised when accused of favoritism or discrimination by workers who see uneven application of the contract as favoritism, discrimination, or an unfair labor practice. Conflict over implementation may arise for even the most conscientious manager, but conflict is an opportunity to discuss important issues constructively and cooperatively, even if it leads to the next element of contract administration, the grievance process.[23]

Most agreements include a clause defining management rights. Typically, management is guaranteed the right to allocate organizational resources in the most efficient manner; to create reasonable rules; to hire, promote, transfer, and discharge employees; to determine work methods and assign work; to create, eliminate, and classify jobs; to lay off employees when necessary; to close or relocate facilities with a 60-day notice; and to institute technological changes. Of course, good HRM practices suggest that whether the contract requires it or not, management would be wise to notify the union of major decisions that will influence its membership.



© AP/Wide World Photos

Economic strikes are intended to put financial pressure on employers to be more agreeable to employee demands.

Grievance Process

The grievance process may be the most important element of contract administration in some organizations. Almost all collective-bargaining agreements contain formal procedures for resolving disagreements involving contract interpretation and application. Specific, initiated grievances by employees allow them a formal procedure for expressing concerns about dissatisfaction with job-related issues, and most contracts spell out the procedures for handling contractual disputes.[24]

Grievance procedures are typically designed to resolve grievances as quickly as possible and at the lowest level possible in the organization (see Exhibit 14-5). The first step almost always has the employee attempting to resolve the grievance with his or her immediate supervisor. If it cannot be resolved at this stage, the next step is to try to resolve it with the union steward and the supervisor. If that fails, individuals from the organization's industrial relations department and the chief union steward usually get involved. If the grievance still cannot be resolved, the complaint passes to the facility's manager, who typically discusses it with the union grievance committee. Unsuccessful efforts at this level move on to the organization's senior management and typically a representative from the national union. Finally, if those efforts are unsuccessful in resolving the grievance, the final step is for the complaint to go to arbitration—called grievance (rights) arbitration.

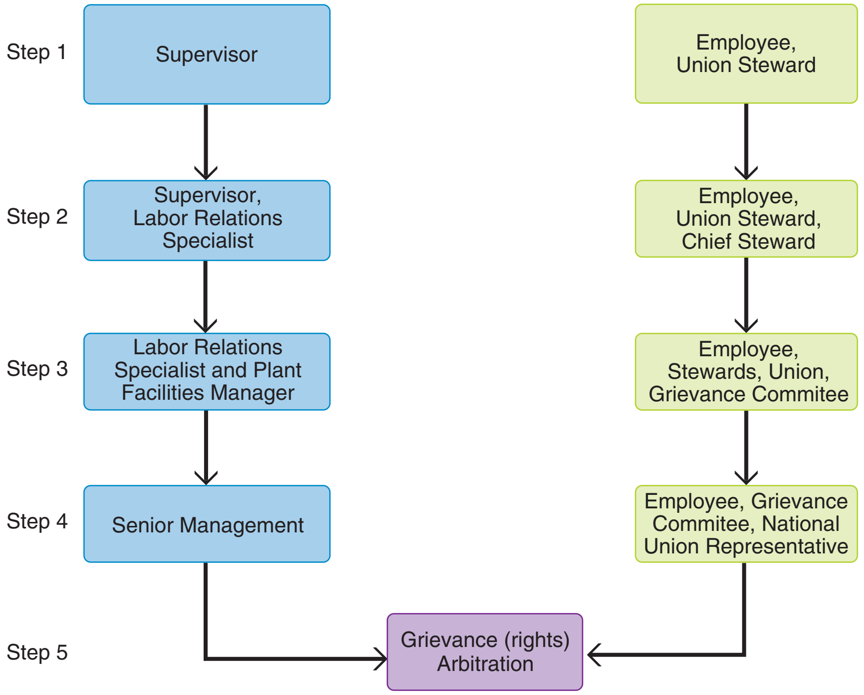
grievance procedures
A complaint-resolving process contained in union contracts.

In practice, we find that almost all collective-bargaining agreements provide for grievance (rights) arbitration as the final step to an impasse. Of course, in small

Exhibit 14-5

A Sample Grievance Procedure

A typical grievance procedure begins at Step 1 with an informal meeting between the employee and supervisor and may include a union steward or other local union representative. The grievance may be settled at any point, ending the process. If the problem is not resolved, it advances to the next step, involving specialists in grievance resolution from management or the union.


Step 1
Supervisor
Employee, Union Steward
Step 2
Supervisor, Labor Relations Specialist
Employee, Union Steward, Chief Steward
Step 3
Labor Relations Specialist and Plant Facilities Manager
Employee, Stewards, Union, Grievance Commitee
Step 4
Senior Management
Employee, Grievance Commitee, National Union Representative
Step 5
Grievance (rights) Arbitration

organizations, these five steps described tend to be condensed, possibly moving from discussing the grievance with the union steward to taking the grievance directly to the organization's senior executive or owner, and then to arbitration, if necessary.

Monitoring Activities During the Contract Period

Both the company and union will gather data on how the contract impacts the company and workers, such as the effect on productivity, employee turnover, and the number of grievances and concerns. By monitoring activities covered by the contract, the company and union can assess the effectiveness of the current contract, recognize when problem areas or conflicts arose, and indicate what changes might need to be made in subsequent negotiations.

Critical Issues for Unions Today

The declining percentage of unionized workforce throughout the past few decades raises several questions. Why has union membership declined? Can labor and management find a way to work together more harmoniously? Is public-sector unionization different from that in the private sector? And where are unions likely to focus their attention in the next decade? In this section, we'll look at these issues.

Where Have the Members Gone?

In the early 1940s, union membership in the United States reached its strength of approximately 36 percent of the workforce. Since that time, membership has dwindled to around 11 percent, significantly reducing but not eliminating their influence.[25] Can they make a comeback? Regaining over a third of the workforce may not be realistic, but in some segments of the economy, they are gaining ground. Low wages in service industries, health insurance cutbacks, displeasure with cost-cutting measures, and company policies are making union philosophies more attractive to employees. Unions are also changing some

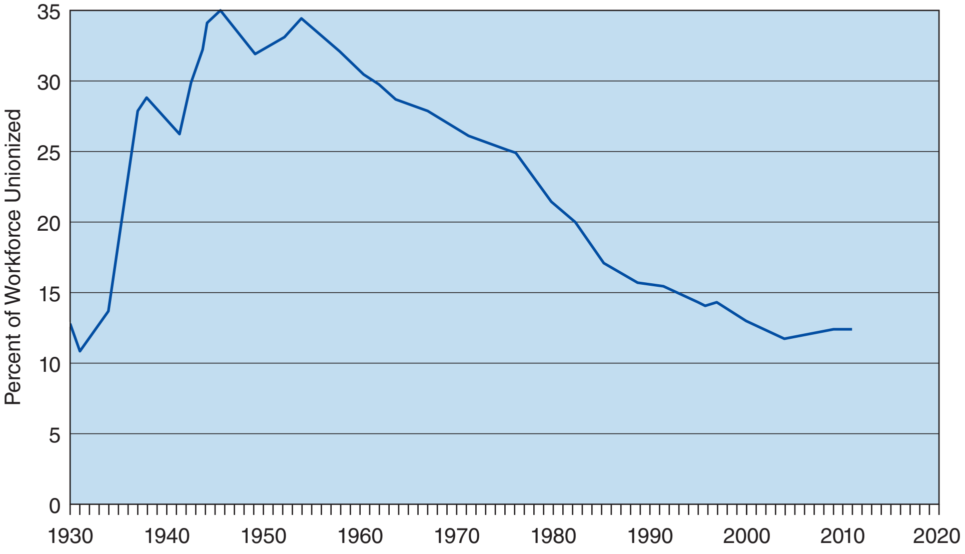


Exhibit 14-6

Trends in Union Membership

Union membership has been declining for several decades although the decline has slowed recently.

of their organizing tactics, the plight of low-wage workers is gaining support and sympathy (see Contemporary Connection), resulting in effective recruiting in the service sectors such as retail workers, hospitality workers, and public-sector employees.[26]

Labor–Management Cooperation

Historically, the relationship between labor and management was built on conflict. The interests of labor and management were seen as basically at odds—each treating the other as the opposition. But times are changing. Management has become increasingly aware that successful efforts to increase productivity, improve quality, and lower costs require employee involvement and commitment. Similarly, some labor unions have recognized that they can help their members more by cooperating with management rather than fighting them.

Many U.S. labor laws were created in an era of mistrust and antagonism between labor and management, creating a barrier to both parties becoming cooperative partners. For example, the National Labor Relations Act was passed to encourage collective bargaining and to balance workers' power against that of management. That legislation also sought to eliminate the practice of firms setting up company unions for the sole purpose of undermining efforts of outside unions organizing their employees. The National Labor Relations Board has ruled that Electromation, a nonunion manufacturing company, was participating in an unfair labor practice when it set up employee action committees. The NLRB determined that the committees were not actually set up to provide employee input into safety and health issues, but to "impose its own unilateral form of bargaining on employees" by discussing wages, hours, and working conditions. Electromation's actions were viewed as a means of thwarting a Teamsters Union-organizing campaign that began in its Elkhart, Indiana, plant.

The current legal environment doesn't prohibit employee-involvement programs such as quality circles, quality of work life, and other employee-involvement programs. In order to comply with the law, management must give employee-involvement programs independence. If dominated by management, they're likely to be interpreted as groups that perform some functions of labor unions but are controlled by management. In order to keep employee-involvement programs from being dominated by management, members should be given wide latitude in deciding what issues to deal with, meet apart from management, and not be susceptible to removal by management whim. The key theme labor laws convey is that where employee-involvement programs are introduced, members must have the power to make decisions and act independently of management.

CONTEMPORARY CONNECTION

Union Split Creates "Change to Win"

Amid frustration with declining membership and disagreement over how to reach workers and form new unions, several member unions left the AFL-CIO in 2005. They believed the AFL-CIO wasn't paying enough attention to the kind of workers that these unions represent. Currently, four unions (International Brotherhood of Teamsters, Service Employees International Union, United Farm Workers of America, and United Food and Commercials Workers International) are part of the breakaway union federation called "Change to Win," and are attempting to unionize more service-type employees. Change to Win unions feel they can reach out in a way that the AFL-CIO could not by organizing many of today's working poor working in service occupations.

Service sector jobs may not pay as well as the manufacturing jobs that the unions have lost, but jobs in health care, construction, and education are not as easily shipped overseas. These new union members are also more likely to vote in political races than nonunion workers, possibly proving more influential in elections and pro-labor legislation such as the Employee Free Choice Act, which would make it easier for unions to organize.

Consider this:
Will the unions stage a comeback in a new form? Will service workers join the unions in numbers large enough to maintain union influence?

Public-Sector Unionization

Although unions in the private sector has declined to 6.6 percent, membership in public-sector labor unions (government, education, law enforcement, and first responders) is over five times higher at 35.7 percent.[27] Labor relations in the government sector differ from their private-sector counterpart. For example, in the federal sector, wages are non-negotiable and compulsory membership in unions is prohibited. At the state, county, and local levels, laws must be passed to grant employees in any jurisdiction the right to unionize—and more importantly, the right to strike.

In a private company, management is the employer. This isn't the case in government sectors. Instead elected officials make financial decisions and those officials have fiduciary responsibilities to the citizens who pay the taxes. When an agreement is reached, the negotiated contract cannot be binding, even though the union members support it, until some legislative body has approved it.

Finally, because these negotiations are a concern to the general public, citizens have the right to know what is going on. This is handled through *sunshine laws*. These laws require parties in public-sector labor relations to make contract negotiations open to the public. Closed sessions are only allowed when either party reviews their position with the designated negotiation representative. Actual negotiation between parties is public. This freedom of information is based on the premise that the public-sector negotiations directly affect all taxpayers and thus should provide direct information regarding what is occurring. However, although information is important, sunshine laws have been questioned by labor-relations personnel. They contend that what the public may see or hear during open negotiations may ultimately differ from the final contract, and public members who do not understand what happens in negotiations may gain a false sense of negotiation outcomes. Sunshine laws differ in every state and are constantly evolving.

International Labor Relations

When discussing labor relations in other countries, it's important to know that we're not making "apples to apples" comparisons. Labor-relations practices and the percent of the workforce unionized differ in every country (see Exhibit 14-7). The number of reported union members is calculated in each country using different criteria and doesn't always

Country	Percent Unionized
China	74
Sweden	68
Belgium	52
Canada	27
United Kingdom	27
Germany	19
Australia	19
Japan	19
Spain	16
Mexico	15
United States	11
France	8

Exhibit 14-7

Unionization Around the World[28, 29, 30]

China reports that 74 percent of workers eligible to belong to a union are union members. It helps to understand that the All China Federation of Trade Unions (ACFTU) is a monopoly with 170 million members and is controlled by the Communist Party.

include all labor groups, or it may include labor associations that do not actively promote labor issues. Also, a country with a high "union density" (percent of workers who are eligible to belong to a union who actually join) may actually have unions that are not very strong or are too close to government influence to effectively advocate for the worker members, such as unions in China.

The business approach to unionism, or emphasizing economic objectives, is uniquely American. In Europe, Latin America, and elsewhere, unions have often evolved out of a class struggle, resulting in labor as a political party. The basic difference in perspective sometimes makes it difficult for U.S. expatriates to understand how the labor-relations process works because even the same term may have different meanings. For example, in the United States, "collective bargaining" implies negotiations between a labor union and management. In Sweden and Germany, it refers to negotiations between the employers' organization and a trade union for the entire industry. Furthermore, arbitration in the United States usually refers to the settlement of individual contractual disputes, whereas in Australia arbitration is part of the contract bargaining process.

Not only does each country have a different history of unionism, each government has its own view of its role in the labor-relations process.[31] This role is often reflected in the types and nature of the regulations in force. The U.S. government generally takes a hands-off approach toward intervention in labor–management matters, but the Australian government, to which the labor movement has strong ties, is inclined to be more involved. Thus, not only must the multinational corporate industrial relations office be familiar with the separate laws of each country, it also must be familiar with the environment in which those statutes are implemented.

China's rise as an industrial power has facilitated a population shift to larger cities as demand for factory workers has increased. Union membership in China has climbed to over 200 million,[32] doubling membership since 2000.[33] The All China Federation of Trade Unions (ACFTC) is the only recognized union federation in China and operates much like the AFL-CIO, representing dozens of trade and industrial unions. ACFTC is the largest union federation in the world, with more members than the rest of the world's trade unions put together. ACFTC sponsors legislation supporting workers' rights and works to unionize foreign-owned companies such as Walmart, McDonald's, and Dell.

The role of the union in China is quite different from many Western unions. Rather than providing support for collective bargaining, the role of ACFTC is to be proactive in preventing labor disputes, and develop "harmonious industrial relations."[34] The ACFTU primarily acts to stabilize labor relations and as a liaison with the government to prevent work disruptions. Few workers file complaints with the union and many view the union as more sympathetic to the employer and government than the member workers. This distrust has led to increased worker strikes and formation of unofficial independent trade unions. In 2011, over 2,000 workers at a South Korean-owned LG factory went on strike after year-end bonuses were cut. Year-end bonuses are typically equivalent to 1 month's salary of $221.[35] The number of strikes has doubled since 2006, creating a troubling trend that concerns the government and employers.

KEINE
RIVATISIERUNG
CHUL
+HAUSMEISTER
verdi
Streik
verdi
Streik

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Unions can be found in most industrialized nations in the world. Workers around the world have found it useful to collectively fight for better wages, benefits, and working conditions.

Understanding international labor relations is vital to an organization's strategic planning. Unions affect wage levels, which in turn affect competitiveness in both labor and product markets. Unions and labor laws may limit employment-level flexibility through security clauses that tightly control layoffs and terminations (or redundancies). This is especially true in such countries as England, France, Germany, Japan, and Australia, where various laws place severe restrictions on employers.

Differing Perspectives toward Labor Relations

If labor relations can affect the organization's strategic planning initiatives, it is necessary to consider the issue of headquarters' involvement in host-country international union relations. The organization must assess whether the labor-relations function should be controlled globally from the parent country, or whether it would be more advantageous for each host country to administer its own operation. There is no simple means of making this assessment; frequently, the decision reflects the relationship of the product market at home to that of the overseas product market. For instance, when domestic sales are larger than those overseas, the organization is more likely to regard the foreign office as an extension of the domestic operations. This is true for many U.S. multinational organizations because the home market is so vast. Thus, American firms have been more inclined to keep labor relations centrally located at corporate headquarters. Many European countries, by contrast, have small home markets with comparatively larger international operations; thus, they are more inclined to adapt to host-country standards and have the labor-relations function decentralized.

Another divergence among multinational companies in their labor relations is the national attitude toward unions. Generally, American multinational corporations view unions negatively at home and try to avoid workforce unionization. Europeans, on the other hand, have had greater experience with unions, are accustomed to a larger proportion of the workforce being unionized, and are more accepting of the unionization of their own workers. In Japan, as in other parts of Asia, unions are often closely identified with an organization.

The European Union

The European Union brings together a dozen or more individual labor-relations systems. For both the member nations and other countries doing business in Europe, such as the United States and Japan, it is important to understand the dynamics of what will necessarily be a dramatically changing labor environment. Unions in Europe have encountered the same challenges as unions in the U.S. Factories have closed and production has moved to countries with lower wages. As a result, trade unions have seen declines in membership. Public-sector unions remain strong in many countries.

Many European countries have been hit hard by a debt crisis caused by the recession, real-estate market collapse, and years of borrowing money for expansion and generous benefits for public employees and citizens. As countries such as Greece, Ireland, Spain, Portugal, and Italy struggle to repay their debts, they have been forced to reduce spending and make cuts in benefits that workers and citizens expect. As a result, public employees in the United Kingdom, Belgium, Spain, France, and other countries have gone on strike in protest. These strikes have stopped rail service, closed schools, ferries, airports, and hospitals as workers protest cutbacks in benefits and raising of retirement ages proposed to balance government budgets and repay debt.

Summary

(This summary relates to the Learning Outcomes identified on page 307.) After having read this chapter you will be able to

1. **Explain the reasons that workers join unions.** Union members typically receive higher wages and better benefits than nonunion workers. Unions also have contract terms that give workers greater job security and influence over work rules. Union security arrangements may require membership for workers.
2. **Discuss the effects of the Wagner and the Taft–Hartley Acts on labor–management relations.** The National Labor Relations Act commonly referred to as the Wagner Act guarantees workers the right to organize and join unions, bargain collectively, for wages, hours, terms, and conditions of employment. It also provides the right to strike in the event that agreement cannot be met. It also established the National Labor Relations Board to certify bargaining units and prevent unfair labor practices. The Labor Management Relations Act, more commonly called the Taft–Hartley Act, was created to apply some of the same requirements to unions such as restricting unfair labor practices like illegal strikes and refusing to bargain in good faith. It also established the Federal Mediation and Conciliation Service to assist in settling labor disputes.
3. **Outline additional important laws and executive orders affecting labor–management relations.** The Railway Labor Act outlines conditions for workers in transportation to bargain collectively. The Landrum-Griffin Act and Racketeer Influenced and Corrupt Organizations (RICO) Act addressed union corruption. Executive Orders 10988 and 11491 and The Civil Service Reform Act regulate collective bargaining for federal workers.
4. **Outline the steps in the union-organizing process.** Preparation begins when workers become frustrated with working conditions and salaries and are approached by a union. The next step is for employees to sign authorization cards requesting union representation. A petition to the NLRB is submitted if at least 30 percent of employees sign authorization cards. The NLRB then schedules a RC election held with a secret ballot. If a majority of the workers vote to for union representation, the union is certified. If members become dissatisfied with the union, it may vote to decertify it.
5. **Describe the collective-bargaining process.** The first step is preparing to negotiate, which includes research and goal setting by both unions and employers. Negotiations between union and employers are the next step. If agreement is achieved, the contract is prepared and ratified by the union membership. If not, negotiations continue or reach impasse, which may result in a strike or lockout. At this point, conciliation or arbitration is sought to resolve the impasse.
6. **Explain important factors in contract administration.** The terms of the agreement must be communicated to employees and implemented by both parties. Both unions and employers monitor the effect of the contract on all parties. When employee grievances occur, a resolution process stipulated by the contract is followed to resolution.
7. **List important current issues facing unions.** Declining union membership, developing cooperation between unions and employers, stronger public-sector unions are important current issues.
8. **Explain how the role of unions differs in a global environment.** Laws that regulate unions and the influence that they hold are the two biggest variables. For example, a large percent of workers in China belong to unions, but they have very little influence. The negotiation and contract administration processes can be quite different too.

Key Terms

agency shop
authorization card
bargaining unit
Civil Service Reform Act
collective bargaining
conciliation and mediation
dues check-off
economic strike
Executive Orders 10988 and 11491
fact-finding
Federal Mediation and Conciliation Service (FMCS)
grievance procedure
interest arbitration
Landrum-Griffin Act
lockout
maintenance of membership
National Labor Relations Board (NLRB)
open shop
Racketeer Influenced and Corrupt Organizations Act (RICO)
Railway Labor Act
representation certification (RC)
representation decertification (RD)
right to work laws
Taft–Hartley Act
unfair labor practice
union
union security arrangements
union shop
Wagner Act
wildcat strike

HRM Workshop

Reviewing Important Concepts

1. What is a union and why do they exist? (LO 1, 2)
2. Explain the three pieces of legislation that have been most important in defining the rights of management and unions. (LO 2, 3)
3. What is the process for establishing a union as the legal collective bargaining representative for employees? (LO 4)
4. Describe the collective-bargaining process and how it differs for private-sector and public-sector employees. (LO 5, 7)
5. Summarize the ways unions differ globally. (LO 8)

Evaluating Alternatives

6. In response to state budget problems, a bill has been introduced in your state legislature that eliminates a number of public-sector union activities, including the dues check-off and maintenance-of-membership clauses with the intent of reducing union membership and influence. Your coworker Jack explains that he thinks it's the end of unions in your state. "These actions will totally cripple public employee unions. It's going to be really tough to keep members." Audrey, another coworker disagrees. According to Audrey, "The dues check-off and maintenance-of-membership clauses are just a matter of convenience. They don't affect the reasons employees join the union in the first place." Evaluate their positions. Are the actions in the bill legal? How important are dues check-off and maintenance-of-membership clauses to union membership? Who do you think is most correct and why? (LO 1, 2, 7)
7. "Unions have become so weak, and their public image is so bad, that you don't need to worry about them showing up and demanding to represent your employees. Let them go ahead and try to distribute authorization cards. If you treat your employees well, pay them a fair wage and make sure they have a safe work environment, there is no way they'll want to pay a union to represent them." How much truth is there in this statement? Do you agree or disagree? Explain your position. (LO 1, 2, 4)

Research and Communication Skills

8. Select a video online that either supports or discourages union membership. Check the facts presented in the video for accuracy. Create a visual that represents your fact checking. Present your findings to your class. (LO 1, 2, 4, 5, 6, 7)
9. Research Right to Work laws nationally and in your state. Does support of these laws seem to be increasing or decreasing? What has been their effect in your state on labor and on business? Present your findings in a 5–10-minute presentation with a minimum of four presentation slides. (LO 1, 7)
10. Organize a union in your Human Resource Management class. Determine student concerns and demands, considering things you think need to change and things you do not want to change. Act as the union representative and prepare a written proposal to present to your professor. (LO 4, 5)

Making a Difference SERVICE LEARNING PROJECTS

Labor unions take many forms and they may even exist on your own campus. Take this opportunity to meet the members in person.

- Ask your college Human Resource department about contact information for union representatives of college employees. Contact those representatives about volunteer opportunities.
- Contact local trade unions about volunteer activities such as assisting with local Labor Day parades, picnics, or other activities.
- Volunteer to assist the teacher associations at local K-12 school districts with their efforts.

As you put your service learning experience together, keep a journal of your activities, the time you spend, contact information for people you work with, and your thoughts about the process. When you're finished, make a presentation to your class about the experience and what you learned. What concepts from were you able to apply?

Case Application 14-A MANAGERS' CONCERNS SPIRAL AS VIDEO GOES VIRAL

Exactitude Manufacturing implemented a new compensation system a year ago and it hasn't been very well received by their employees. Pay grades were reduced from six to five, and pay was tied to skills, training, and level of responsibility rather than seniority. As a result some of the most senior and highly skilled workers are already at the top of their pay grades. They haven't had a raise in a year and will only see slight pay increases for several years to come. They are understandably frustrated and have been complaining to coworkers, supervisors, human resource managers, and anyone else who will listen.

The problem has been particularly difficult in the St. Louis Missouri facility. Several employees have posted their complaints on Twitter and their personal Facebook pages. To make matters even worse, a satirical music video has surfaced on YouTube featuring several Exactitude employees and depicting Exactitude managers as clueless, inept, and money hungry. Older workers are pictured sitting in trash cans portraying them as pushed aside because of their age. The video is gaining in popularity and a local TV station has featured it in a news segment that casts Exactitude in a negative light. Even more troubling is the recent appearance of radio and television ads on local stations that explain the benefits of union membership. The ads are probably directed at the disgruntled Exactitude employees.

HR Director Shannon Keller was called to the facility to meet with nervous managers and supervisors. Their questions came quickly.

Anthony, the plant manager asked "What if we offer to go back to the old pay plan if they agree not to talk to union organizers? I think that would make them happy."

Bert, a production supervisor, explained, "I'm pretty sure they made the video in the factory on their breaks, and sent it with their company e-mail accounts. Should we discipline them for that?"

Carla, another production supervisor, said, "I think there's an information meeting planned with the union. I know where it is. I can go there and see who is interested. If it's the older guys in the video we could offer them early retirement and that would take care of the problem."

Tyler, a manager at the facility, added, "Everyone shouldn't be so concerned. Acme Manufacturing had a union when I worked there and it wasn't bad at all. The management worked closely with the union on all sorts of issues and everyone got along really well. I was there five years and we never went on strike."

Quang, another manager, agreed. "I don't think it's going to be a big problem. There's a rumor that if a union is certified, Exactitude will shut this plant down and move production to one of the other three plants. That will probably scare enough people that the union will never get certified," he added.

Shannon interrupted the discussion. "You've brought up some really important issues, and I need your cooperation in clearing up some misconceptions before we do anything at all."

Questions:

1. Evaluate the different concerns of Anthony, Bert, Carla, and Quang from legal and ethical perspectives. Which actions are problematic and why? (LO 1, 2, 3, 4)
2. What are the steps employees need to take if they wish to certify a union to represent them? (LO 4)
3. Suggest ways that Exactitude could establish a situation similar to the one Tyler described if a union is certified. (LO 1)
4. **Research:** Find examples of ways unions use social media to recruit membership. What social media sites are used and how effective are the union messages?

Case Application 14-B WHY THE EASTER BUNNY GOT STUCK IN SAN FRANCISCO

Why would a labor dispute cause the Easter Bunny to arrive empty handed for U.S. children and McDonald's to ration French fries in Japan? The not-so-simple answer is the ripple effect that economic strikes have on an increasingly global economy.

We know that strikes and lockouts hurt workers and employers. They are the players on the front lines of any labor dispute, but a dispute between the union between West Coast dockworkers and the shipping companies they work for in 2015 spilled over into many other sectors of the economy. The list of affected businesses is long and includes production cuts at U.S. Honda factories because they ran out of necessary parts, shortages of holiday baskets and toys for Easter, agricultural products like potatoes waiting to be shipped to Asian ports rotting in U.S. docks, and retailers losing sales because imported books, clothing, and furniture were stuck on ships that could not be unloaded.

Dockworkers in 29 West Coast ports had worked without a contract for 8 months by the time U.S. Labor Secretary Tom Perez arrived in San Francisco with orders from President Obama to get the strike resolved immediately. Negotiations between the union and shipping companies on wages and benefits moved quickly, but stalled on issues regarding arbitration of disputes. Rather than go on strike, dockworkers, also called longshoremen, started working very slowly and restricted the number of skilled crane operators available to operate the gigantic cranes that unload containers from the ships and railcars. The shipping companies were also accused of slowing the process by limiting the number of truck beds available to move containers and limiting the number of crews they called to load and unload ships.

Federal mediators weren't able to broker an agreement, and the President wasn't able to invoke his powers under Taft–Hartley until a strike or lockout was involved. Slowdowns don't count. In 2002, President George W. Bush was able to force West Coast ports to open during a similar labor dispute after employers locked the dockworkers out for 10 days. Growing pressure from the agriculture industry, retail industry, and the President ultimately led the parties to an agreement.[36]

The National Retail Federation issued a statement applauding the agreement but warning "As we welcome today's news, we must dedicate ourselves to finding a new way to ensure that this nightmare scenario is not repeated again," the association said. "If we are to truly have modern international trade, supply chain and transportation systems, we must develop a better process for contract negotiations moving forward."[37]

Questions:

1. How might labor disputes change if the Taft–Hartley Act is changed to allow the President to intervene in labor disputes that have not resulted in lockouts or strikes? What criteria should determine whether the President or other governing group can take over labor negotiations? (LO 2, 3, 7)
2. Examine the "unfair labor practices" explained in the chapter. Discuss whether slowdowns should qualify as unfair labor practices like wildcat strikes. (LO 2, 6, 7)
3. **Research:** Look for other examples of labor disputes that affected the local, national, or global economy. Explain the situations, effects, and how they were resolved. (LO 1, 2, 3, 6, 7, 8)

Endnotes

CHAPTER 1

The Dynamic Environment of HRM

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CHAPTER 3

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CHAPTER 8
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CHAPTER 10
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CHAPTER 11

Establishing Rewards and Pay Plans

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CHAPTER 12
Employee Benefits

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CHAPTER 13

Managing Health and Safety Risks

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CHAPTER 14

Understanding Labor Relations and Collective Bargaining

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Glossary

360-degree appraisals Performance evaluations in which supervisors, peers, employees, customers, and the like evaluate an individual.

4/5ths rule A rough indicator of discrimination; this rule requires that the number of minority members a company hires must equal at least 80 percent of the majority members in the population hired.

absolute standards Measuring an employee's performance against established standards.

acquisition The transfer of ownership and control of one organization to another.

adverse (disparate) impact A consequence of an employment practice that results in a greater rejection rate for a minority group than for the majority group in the occupation.

adverse (disparate) treatment An employment situation where protected group members receive treatment different from other employees in matters such as performance evaluations and promotions.

affirmative action A practice in organizations that goes beyond discontinuance of discriminatory practices to include actively seeking, hiring, and promoting minority group members and women.

Age Discrimination in Employment Act (ADEA) This act prohibits arbitrary age discrimination, particularly among those older than age 40.

agency shop A union security arrangement whereby employees must pay union dues to the certified bargaining unit even if they choose not to join the union.

Albemarle Paper Company v. Moody Supreme Court case that clarified the methodological requirements for using and validating tests in selection.

Americans with Disabilities Act of 1990 This act extends employment protection to most forms of disability status.

application form Company-specific employment form used to generate specific information the company wants.

apprenticeships Combine instruction with coaching from an experienced mentor.

assessment center A facility where performance simulation tests are administered. These include a series of exercises used for selection, development, and performance appraisals.

attribution theory A theory of performance evaluation based on the perception of who is in control of an employee's performance.

authorization card A card signed by prospective union members indicating that they are interested in having a union election held at their work site.

baby boomers Individuals born between 1946 and 1965.

background investigation The process of verifying information job candidates provide.

balance sheet approach Paying an employee with a foreign assignment comparably to workers with similar positions in the home country.

bargaining unit Employee group represented by a union.

behavioral interview Observing job candidates not only for what they say but for how they behave.

behaviorally anchored rating scales (BARS) A performance appraisal technique that generates critical incidents and develops behavioral dimensions of performance. The evaluator appraises behaviors rather than traits.

benchmarks Metrics from other businesses or industry averages used to compare performance.

blind-box ad An advertisement that does not identify the advertising organization.

bona fide occupational qualification (BFOQ) Job requirements that are "reasonably necessary to meet the normal operations of that business or enterprise."

broad-banding Paying employees at preset levels based on their level of competency.

burnout Chronic and long-term stress.

career The sequence of employment positions that a person has held over his or her life.

career development Gaining skills that will help an individual progress in a career.

central tendency The tendency of a rater to give average ratings.

change agent Individual responsible for fostering the change effort and assisting employees in adapting to changes.

checklist appraisal A performance evaluation in which a rater checks off applicable employee attributes.

Civil Rights Act of 1964 Outlawed racial segregation and discrimination in employment, public facilities, and education.

Civil Rights Act of 1991 Employment discrimination law that nullified selected Supreme Court decisions. It reinstated burden of proof by the employer and allowed for punitive and compensatory damage through jury trials.

Civil Service Reform Act Replaced Executive Order 11491 as the basic law governing labor relations for federal employees.

classification method Evaluating jobs based on predetermined job grades.

classroom lectures Training in a traditional classroom setting.

code of ethics A formal document that states an organization's primary values and the ethical rules it expects organizational members to follow.

collective bargaining The negotiation, administration, and interpretation of a written agreement between two parties, at least one of which represents a group that is acting collectively, and that covers a specific period of time.

communications programs HRM programs designed to provide information to employees.

comparable worth Equal pay for jobs similar in skills, responsibility, working conditions, and effort.

compensation administration The process of managing a company's compensation program.

compensation and benefits HRM function concerned with paying employees and administering the benefits package.

compensation surveys Used to gather factual data on pay practices among firms and companies within specific communities.

competency-based compensation Organizational pay system that rewards skills, knowledge, and behaviors.

competitive advantage Something unique to the organization that competitors cannot imitate.

comprehensive interview A selection device used to obtain in-depth information about a candidate.

compressed work week schedules Employees work longer days in exchange for longer weekends or other days off.

concerted activity Employees that meet in person or online to discuss working conditions are protected from employer retaliation.

conciliation and mediation Impasse resolution techniques using an impartial third party to help management and the union to resolve the conflict.

concurrent validity Validating tests by using current employees as the study group.

conditional job offer A tentative job offer that becomes permanent after certain conditions are met.

Consolidated Omnibus Budget Reconciliation Act (COBRA) Provides for continued employee benefits up to three years after an employee leaves a job.

construct validity The degree to which a particular trait relates to successful job performance, as in IQ tests.

constructive discharge An employee that quits because working conditions are intolerable.

consumer-driven health plan (CDHP) Combines a health plan with a high deductible with a health savings account that the insured uses to pay for deductibles and medical care.

content validity The degree to which test content, as a sample, represents all situations that could have been included, such as a typing test for a clerk typist.

contingent workforce The part-time, temporary, and contract workers used by organizations to fill peak staffing needs or perform work not done by core employees.

continuous improvement Organizational commitment to constantly improving quality of products or services.

controlling A management function concerned with monitoring activities to ensure that goals are met.

core competency Organizational strengths that represent unique skills or resources.

core employees An organization's full-time employee population.

criterion-related validity The degree to which a particular selection device accurately predicts the important elements of work behavior, as in the relationship between a test score and job performance.

critical incident appraisal A performance evaluation that focuses on key behaviors that differentiate between doing a job effectively or ineffectively.

culture The patterns or thought and behavior that distinguish one group of people from another.

cut score A scoring point below which applicants are rejected.

dashboards Visual displays of HR metrics that can be quickly accessed and interpreted on a computer or tablet.

deductible Amount that insured employee pays for medical expenses out of pocket before insurance pays the remaining expenses.

defined benefit plan A retirement program that pays retiring employees a fixed retirement income based on average earnings over a period of time.

defined contribution plan No specific benefit payout is promised because the value of the retirement account depends on the growth of contributions of employee and employer.

diary method A job analysis method requiring job incumbents to record their daily activities.

discipline A condition in the organization when employees conduct themselves in accordance with the organization's rules and standards of acceptable behavior.

dismissal A disciplinary action that results in the termination of an employee.

documentation A record of performance appraisal process outcomes.

domestic partner benefits Benefits offered to an employee's live-in partner.

downsizing An activity in an organization aimed at creating greater efficiency by eliminating certain jobs.

drug testing The process of testing applicants/employees to determine if they are using illicit drugs.

Drug-Free Workplace Act Requires specific government-related groups to ensure that their workplace is drug free.

dues check-off Employer withholding of union dues from union members' paychecks.

economic strike An impasse that results from labor and management's inability to agree on the wages, hours, and terms and conditions of a new contract.

employee assistance programs (EAPs) Specific programs designed to help employees with personal problems.

employee benefits Membership-based, nonfinancial rewards offered to attract and keep employees.

employee development Future-oriented training that focuses on employee personal growth.

employee handbook A booklet describing important aspects of employment an employee needs to know.

employee referral A recommendation from a current employee regarding a job applicant.

employee relations function Activities in HRM concerned with effective communications among organizational members.

Employee Retirement Income Security Act (ERISA) Law passed in 1974 designed to protect employee retirement benefits.

employee training Present-oriented training that focuses on individuals' current jobs.

employment agencies Assists in matching employees seeking work with employers seeking workers.

employment-at-will doctrine Nineteenth-century common law that permitted employers to discipline or discharge employees at their discretion.

encounter stage The socialization stage where individuals confront the possible dichotomy between their organizational expectations and reality.

Equal Employment Opportunity Act (EEOA) Granted enforcement powers to the Equal Employment Opportunity Commission.

Equal Employment Opportunity Commission (EEOC) The arm of the federal government empowered to handle discrimination in employment cases.

Equal Pay Act of 1963 This act requires equal pay for equal work.

essential functions Activities that are core to a position and cannot be modified.

establishment stage A career stage in which one begins to search for work and finds a first job.

ethics A set of rules or principles that defines right and wrong conduct.

executive search firms Private employment agency specializing in middle- and top-management placements.

exempt employees Employees in positions that are exempt from most employee protection outlined in the Fair Labor Standards Act, especially overtime pay.

expatriate An individual who lives and works in a country of which he or she is not a citizen.

exploration stage A career stage that usually ends in the mid-twenties as one makes the transition from school to work.

extrinsic rewards Benefits provided by the employer, usually money, promotion, or benefits.

fact-finding The technique whereby a neutral third party conducts a hearing to gather evidence and testimony from the parties regarding the differences between them.

Fair Credit Reporting Act Requires an organization to notify job candidates of its intent to check into their credit.

Fair Labor Standards Act (FLSA) Passed in 1938, this act established laws outlining minimum wage, overtime pay, and maximum hour requirements for most U.S. workers.

Family and Medical Leave Act of 1993 Federal legislation that provides employees with up to 12 weeks of unpaid leave each year to care for family members or for their own medical reasons.

Federal Mediation and Conciliation Service (FMCS) A government agency that assists labor and management in settling disputes.

flex time An alternative to traditional "9 to 5" work schedules that allows employees to vary arrival and departure times.

flexible benefits A benefits program in which employees pick benefits that most meet their needs.

flexible spending accounts Allow employees to set aside money before payroll taxes to pay for healthcare or dependent care.

forced-choice appraisal A performance evaluation in which the rater must choose between two specific statements about an employee's work behavior.

General Duty Clause Covers any potentially dangerous or unhealthy workplace condition that is not covered by specific OSHA industry regulation.

Genetic Information Nondiscrimination Act (GINA) Prohibits employers from making employment decisions based on information about an employee's genetic information.

glass ceiling The invisible barrier that blocks women and minorities from ascending into upper levels of an organization.

globalization A process of interaction and integration among the people, companies, and governments of different nations, driven by international trade and investment, accelerated by information technology.

golden parachute A financial protection plan for executives in case they are severed from the organization.

graphic rating scale A performance appraisal method that lists traits and a range of performance for each.

grievance procedure A complaint-resolving process contained in union contracts.

Griggs v. Duke Power Company Landmark Supreme Court decision stating that tests must fairly measure the knowledge or skills required for a job.

group incentive Motivational plan provided to a group of employees based on their collective work.

group interview method Meeting with a number of employees to collectively determine what their jobs entail.

halo error The tendency to let our assessment of an individual on one trait influence our evaluation of that person on other specific traits.

Hawthorne studies A series of studies that provided new insights into group behavior and motivation.

Health Insurance Portability and Accountability Act of 1996 (HIPAA) Ensures confidentiality of employee health information.

health maintenance organization Provide comprehensive health services for a flat fee.

health savings account (HSA) Savings account with tax advantages used to pay out-of-pocket medical expenses and deductibles.

high deductible health plan (HDHP) Health plans with low premiums and high deductibles.

Holland vocational preferences model Represents an individual occupational personality as it relates to vocational themes.

honesty and integrity test A specialized question-and-answer test designed to assess one's honesty.

host-country national (HCN) A citizen of the host country hired by an organization based in another country.

hostile environment harassment Offensive and unreasonable situations in the workplace that interfere with the ability to work.

hot-stove rule Discipline, such as the consequences of touching a hot stove, should be immediate, provide ample warning, be consistent, and be impersonal.

HR generalist Position responsible for all or a large number of HR functions in an organization.

human resource information system (HRIS) A computerized system that assists in the processing of HRM information.

human resource planning Process of determining an organization's human resource needs.

imminent danger A condition where an accident is about to occur.

implied employment contract Any organizational guarantee or promise about job security.

impression management Influencing performance evaluations by portraying an image desired by the appraiser.

IMPROSHARE An incentive plan that uses a specific mathematical formula for determining employee bonuses.

incidence rate Number of injuries, illnesses, or lost workdays as it relates to a common base of full-time employees.

inclusion Valuing the contribution of everyone.

individual incentive plans Motivation systems based on individual work performance.

individual interview method Meeting with an employee to determine what his or her job entails.

individual ranking Ranking employees' performance from highest to lowest.

individual retirement accounts A type of defined contribution plan with employer contributions.

information systems (IS) Using information technology to improve organizational performance.

information technology (IT) Creating and maintaining the technology infrastructure of an organization.

initial screening The first step in the selection process whereby job inquiries are sorted.

interest arbitration An impasse resolution technique used to settle contract negotiation disputes.

intergroup development Helping members of various groups become a cohesive team.

internal search A promotion-from-within concept.

internships Structured program for students to gain employment experience in their area of study.

interviewer bias Image created by reviewing materials such as résumé, application, or test scores prior to the actual interview.

intrinsic rewards Satisfactions derived from the job itself, such as pride in one's work, a feeling of accomplishment, or being part of a team.

job analysis Provides information about jobs currently being done and the knowledge, skills, and abilities that individuals need to perform the jobs adequately.

job description A statement indicating what a job entails.

job design Refers to the way the position and the tasks within that position are organized, including how and when the tasks are done and any factors that affect the work, such as in what order the tasks are completed and the conditions under which they are completed.

job enlargement Adding related tasks to a job.

job enrichment Enhancing jobs by giving employees more opportunity to plan and control their work.

job enrichment Expanding job content to create more opportunities for job satisfaction.

job evaluation Specifies the relative value of each job in the organization.

job fairs Events attended by employer representatives or recruiters with the goal of reaching qualified candidates.

job rotation Moving employees horizontally or vertically to expand their skills, knowledge, or abilities.

job sharing Two people share one job by splitting the work week and the responsibilities of the position.

job specification Statements indicating the minimal acceptable qualifications incumbents must possess to successfully perform the essential elements of their jobs.

kaizen The Japanese term for an organization's commitment to continuous improvement.

Kirkpatrick's model Evaluates the benefits of training for skills that are hard to quantify, such as attitudes and behaviors.

knowledge workers Individuals whose jobs are designed around the acquisition and application of information.

labor union Acts on behalf of its members to secure wages, hours, and other terms and conditions of employment.

Landrum-Griffin Act of 1959 Also known as the Labor and Management Reporting and Disclosure Act, this legislation protected union members from possible wrongdoing on the part of their unions. It required all unions to disclose their financial statements.

late-career stage A career stage in which individuals are no longer learning about their jobs nor expected to outdo levels of performance from previous years.

leading A management function concerned with directing the work of others.

learning organization An organization that values continued learning and believes a competitive advantage can be derived from it.

leased employees Individuals hired by one firm and sent to work in another for a specific time

legal compliance Making sure that all legal requirements involved in employment are met.

legally required benefits Employee benefits mandated by law.

leniency error Performance appraisal distortion caused by evaluating employees against one's own value system.

lockout A situation in labor-management negotiations whereby management prevents union members from returning to work.

long-term disability insurance Provides replacement income for an employee who cannot return to work and whose short-term coverage has expired.

maintenance function Activities in HRM concerned with maintaining employees' commitment and loyalty to the organization.

maintenance of membership Requires an individual who chooses to join a union to remain in the union for the duration of the existing contract.

management The process of efficiently completing activities with and through people.

management by objectives (MBO) A performance appraisal method that includes mutual objective setting and evaluation based on the attainment of the specific objectives.

Marshall v. Barlow's, Inc. Supreme Court case that stated an employer could refuse an OSHA inspection unless OSHA had a search warrant to enter the premises.

McDonnell-Douglas Corp. v. Green Supreme Court case that led to a four-part test used to determine if discrimination has occurred.

medical/physical examination An examination to determine an applicant's physical fitness for essential job performance.

membership-based rewards Rewards extended to employees regardless of performance.

mentoring or coaching Providing insight, advice, suggestions, and feedback to another employee.

merger Joining ownership of two organizations.

merit pay An increase in pay, usually determined annually.

metamorphosis stage The socialization stage during which the new employee must work out inconsistencies discovered during the encounter stage.

metrics Quantitative assessments used to measure the effectiveness of business practices.

mid-career stage A career stage marked by continuous improvement in performance, leveling off in performance, or beginning of deterioration in performance.

mission The reason an organization exists.

mission statement A brief statement of the reason an organization is in business.

motivation function Activities in HRM concerned with helping employees exert themselves at high energy levels.

multinational corporations (MNCs) Corporations with significant operations in more than one country.

musculoskeletal disorders (MSDs) Continuous-motion disorders caused by repetitive stress injuries.

National Institute for Occupational Safety and Health (NIOSH) The government agency that researches and sets OSHA standards.

National Labor Relations Board (NLRB) Established to administer and interpret the Wagner Act, the NLRB has primary responsibility for conducting union representation elections.

nonexempt employees Employees who are covered by the Fair Labor Standards Act, including overtime pay and minimum wage provisions.

observation method A job analysis technique in which data are gathered by watching employees work.

offshoring The process of moving jobs out of one country and into another country.

on-the-job training Trainee works with more experienced employee in the actual work environment.

onboarding or socialization A process of adaptation that takes place as individuals attempt to learn the values and norms of work roles.

online résumés Résumés created and formatted to be posted on online résumé or job sites.

open shop Employees are free to join the union or not and those who decline need not pay union dues.

organization culture The system of sharing meaning within the organization that determines how employees act.

organization development (OD) The part of HRM that addresses system-wide change in the organization.

organization-wide incentive A motivation system that rewards all facility members based on how well the entire group performed.

organizing A management function that deals with determining what jobs are to be done and by whom, where decisions are to be made, and how to group employees.

orientation Activities that introduce new employees to the organization and their work units.

outsourcing Sending work "outside" the organization to be done by individuals not employed full time with the organization.

paid time off (PTO) Vacation, sick leave, personal days, and holidays combined into one account managed by employees.

paired comparison Ranking individuals' performance by counting the times any one individual is the preferred member when compared with all other employees.

passive candidates People who are not actively looking for a new job.

Patient Protection and Affordable Care Act Reforms the healthcare insurance system in the United States by expanding the availability and regulation of health insurance coverage and making significant changes to how health insurance coverage is provided and paid for.

peer evaluation A performance assessment in which coworkers provide input into the employee's performance.

Pension Benefit Guaranty Corporation (PBGC) The organization that lays claim to corporate assets to pay or fund inadequate pension programs.

performance-based rewards Rewards exemplified by the use of commissions, piecework pay plans, incentive systems, group bonuses, or other forms of merit pay.

perquisites Attractive benefits, over and above a regular salary, granted to executives, also known as "perks."

piecework Pay determined by number of units produced.

planning A management function focusing on setting organizational goals and objectives.

plateaued mid-career Promotion beyond one's current job becomes less likely.

point method Breaking down jobs based on identifiable criteria and the degree to which these criteria exist on the job.

point-of-service (POS) Healthcare plan that includes primary care physicians but allows greater flexibility for using services out of the network.

Polygraph Protection Act Prohibits the use of lie detectors in screening all job applicants.

Position Analysis Questionnaire (PAQ) A job analysis technique that rates jobs on elements in six activity categories.

post-training performance method Evaluating training programs based on how well employees can perform their jobs after training.

pre-arrival stage This socialization process stage recognizes that individuals arrive in an organization with a set of organizational values, attitudes, and expectations.

pre–post-training performance method Evaluating training programs based on the difference in performance before and after training.

pre–post-training performance with control group method Evaluating training by comparing pre- and post-training results with individuals.

predictive validity Validating tests by using prospective applicants as the study group.

preferred provider organizations (PPOs) Organization that requires using specific physicians and healthcare facilities to contain the rising costs of healthcare.

Pregnancy Discrimination Act of 1978 Law prohibiting discrimination based on pregnancy.

premium pay Additional pay to reward workers for inconvenient or undesirable work.

Privacy Act Requires federal government agencies to make information in an individual's personnel file available to him or her.

proactive personality Describing those individuals who are more prone to take actions to influence their environment.

professional employer organization Assumes all HR functions of a client company by hiring all of its employees and leasing them back to the company.

progressive discipline A system of improving employee behavior that consists of warnings and punishments that gradually become more severe.

qualified privilege The ability for organizations to speak candidly to one another about employees or potential hires.

quality management Organizational commitment to continuous process of improvement that expands the definition of customer to include everyone involved in the organization.

quid pro quo harassment Some type of sexual behavior is expected as a condition of employment.

Racketeer Influenced and Corrupt Organizations Act (RICO) Law passed to eliminate any influence on unions by members of organized crime.

Railway Labor Act Provided the initial impetus to widespread collective bargaining.

ranking method Ranking job worth from highest to lowest.

re-shoring The process of bringing jobs back to the home country.

realistic job preview (RJP) A selection device that allows job candidates to learn negative as well as positive information about the job and organization.

reasonable accommodations Changes to the workplace that allow qualified workers with disabilities to perform their jobs.

recruiter Represents employer to prospective applicants at colleges and job fairs.

recruiting The process of seeking sources for job candidates.

reduction in force (downsizing) Reducing the size of a company's workforce to lower expenses.

relative standards Evaluating an employee's performance by comparing the employee with other employees.

reliability A selection device's consistency of measurement.

repetitive stress injuries Injuries sustained by continuous and repetitive movements of the hand.

replacement chart HRM organizational charts indicating positions that may become vacant in the near future and the individuals who may fill the vacancies.

representation certification (RC) The election process whereby employees vote in a union as their representative.

representation decertification (RD) The election process whereby union members vote out their union as their representative.

reverse discrimination A claim made by white males that minority candidates are given preferential treatment in employment decisions.

right to work laws Prohibit union membership as a condition of employment.

rightsizing Linking employee needs to organizational strategy.

role ambiguity When an employee is not sure what work to do.

role conflicts Expectations that are difficult to reconcile or achieve.

role overload When an employee is expected to do more than time permits.

safety data sheet (SDS) Documents that provide workers with proper procedures for handling chemical products safely.

Sarbanes-Oxley Act Established procedures for public companies regarding how they handle and report their finances.

Scanlon Plan An organization-wide incentive program focusing on cooperation between management and employees through sharing problems, goals, and ideas.

scientific management A set of principles designed to enhance worker productivity.

seniority systems Decisions such as promotions, pay, and layoffs are made on the basis of an employee's seniority or length of service.

sexual harassment Anything of a sexual nature that creates a condition of employment, an employment consequence, or a hostile or offensive environment.

shared services Sharing HRM activities among geographically dispersed divisions.

short-term disability insurance Pays a percentage of employee salary if a disability required missing work for up to six months.

sick building An unhealthy work environment.

similarity error Evaluating employees based on the way an evaluator perceives himself or herself.

simulation Any artificial environment that attempts to closely mirror an actual condition.

social media Websites and mobile applications that facilitate interactive communication.

social recruiting Using social media to recruit job seekers.

Social Security Retirement, disability, and survivor benefits paid by the government to the aged, former members of the labor force, the disabled, or their survivors.

Software as a Service (SaaS) Software delivered on the Internet on a subscription basis.

staffing function Activities in HRM concerned with seeking and hiring qualified employees.

staffing table Table including jobs in the organization, number of people holding those jobs, and future requirements.

stock options The right to purchase a number of shares of company stock at a specific price for a period of months or years.

strategic human resource management Aligning HR policies and decisions with the organizational strategy and mission.

strategic management Establishing long-term goals and providing direction for an organization.

strategic planning process Analyzing the environment and creating strategies to achieve organizational goals.

stress A dynamic condition in which an individual confronts an opportunity, constraint, or demand related to a desire and perceives the outcome both uncertain and important.

stressor Something that causes stress in an individual.

structured questionnaire method A specifically designed questionnaire on which employees rate tasks they perform in their jobs.

succession planning Identifying employees that are ready to move into management positions.

summary plan description (SPD) An ERISA requirement of explaining to employees their pension program and rights.

survey feedback Assessment of employees' perceptions and attitudes regarding their jobs and organization.

suspension A period of time off from work as a result of a disciplinary process.

SWOT analysis A process for determining an organization's strengths, weaknesses, opportunities, and threats.

Taft-Hartley Act Amended the Wagner Act by addressing employers' concerns in terms of specifying unfair union labor practices.

talent management Using HRM best practices to recruit and retain talented employees in order to achieve organizational objectives.

team-based compensation Pay based on how well the team performed.

technical conference method A job analysis technique that involves extensive input from the employee's supervisor.

telecommuting Using technology to work in a location other than the traditional workplace.

Title VII The most prominent piece of legislation regarding HRM that states the illegality of discriminating against individuals based on race, religion, color, sex, or national origin.

total rewards A comprehensive view of employee compensation.

training and development function Activities in HRM concerned with assisting employees to develop up-to-date skills, knowledge, and abilities.

transnational corporation Organizations with extensive international operations and subsidiaries in many countries, no longer identifying with a single "home" country.

type A behavior Personality type characterized by chronic urgency and excessive competitive drive.

type B behavior Personality type characterized by lack of either time urgency or impatience.

unemployment compensation Employee insurance that provides some income continuation in the event an employee is laid off.

unfair labor practice Employer or employee actions prohibited by the Wagner Act, Taft-Hartley Act, or other labor laws.

Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) Clarifies and strengthens the rights of veterans to return to their jobs in the private sector when they return from military service.

union Organization of workers, acting collectively, seeking to protect and promote their mutual interests through collective bargaining.

union security arrangements Labor contract provisions designed to attract and retain dues-paying union members.

union shop Any nonunion workers must become dues-paying members within a prescribed period of time.

upward appraisal Employees provide frank and constructive feedback to their supervisors.

validity The proven relationship of a selection device to relevant criterion.

vestibule training Using actual work tools or equipment in a training situation.

vesting rights The permanent right to pension benefits.

wage structure A pay scale showing ranges of pay within each grade.

Wagner Act Also known as the National Labor Relations Act of 1935, this act gave employees the right to form and join unions and to engage in collective bargaining.

Walsh-Healy Act Requires employers with government contracts over $100,000 to pay prevailing wage rates in the geographic area.

weighted application form A special type of application form that uses relevant applicant information to determine the likelihood of job success.

whistle-blowing A situation in which an employee notifies authorities of wrongdoing in an organization.

wildcat strike An unauthorized and illegal strike that occurs during the terms of an existing contract.

willful violations Employer ignored or disregarded workplace hazards that could or did endanger workers.

work process engineering Radical, quantum change in an organization.

work sampling A selection device requiring the job applicant to perform a small sampling of actual job activities.

Worker Adjustment and Retraining Notification (WARN) Act Specifies employers' notification requirements when closing down a plant or laying off large numbers of workers.

workers' compensation Employee insurance that provides income continuation if a worker is injured on the job.

workforce diversity The varied personal characteristics that make the workforce heterogeneous.

workplace bullying Mistreating another with threats, humiliation or sabotage, or verbal abuse in the workplace.

workplace romance A personal relationship that develops at work.

written verbal warning Temporary record that a verbal reprimand has been given to an employee.

written warning First formal step of the disciplinary process.

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